

SCHEDULE A

A DRAFT ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF A MUNICIPALITY

ANNUAL BUDGET OF
UMSOBOMVU
MUNICIPALITY

2011/12 TO 2013/14
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Table of Contents

ANNEXURE	ERROR! BOOKMARK NOT DEFINED.
PART 1 – ANNUAL BUDGET	2
1.1 MAYOR’S REPORT	2
1.2 COUNCIL RESOLUTIONS	2
1.3 EXECUTIVE SUMMARY	2
1.4 OPERATING REVENUE FRAMEWORK	3
1.5 OPERATING EXPENDITURE FRAMEWORK	11
1.6 CAPITAL EXPENDITURE	14
1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY	16
PART 2 – SUPPORTING DOCUMENTATION	32
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS	32
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	34
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS	39
2.4 OVERVIEW OF BUDGET RELATED-POLICIES	43
2.5 OVERVIEW OF BUDGET ASSUMPTIONS	45
2.6 OVERVIEW OF BUDGET FUNDING	46
2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS	57
2.8 COUNCILLOR AND EMPLOYEE BENEFITS	59
2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW	61
2.10 ANNUAL BUDGETS AND SDBIPs – INTERNAL DEPARTMENTS	66
2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS	66
2.12 CAPITAL EXPENDITURE DETAILS	66
2.13 LEGISLATION COMPLIANCE STATUS	69
2.14 OTHER SUPPORTING DOCUMENTS	70
2.15 MUNICIPAL MANAGER’S QUALITY CERTIFICATE	74

List of Tables

Table 1 Consolidated Overview of the 2011/12 MTREF	3
Table 2 Summary of revenue classified by main revenue source	4
Table 3 Percentage growth in revenue by main revenue source	5
Table 4 Operating Transfers and Grant Receipts	5
Table 5 Comparison of proposed rates to levied for the 2011/12 financial year	7
Table 6 Proposed Water Tariffs	8
Table 7 Comparison between current water charges and increases (Domestic)	8
Table 8 Comparison between current electr municipality’s charges and increases (Domestic)	8
Table 9 Comparison between current sanitation charges and increases	9
Table 10 Comparison between current sanitation charges and increases, single dwelling- houses	10
Table 11 Comparison between current waste removal fees and increases	10

Table 12 MBRR Table SA14 – Household bills.....	11
Table 13 Summary of operating expenditure by standard classification item	12
Table 14 Operational repairs and maintenance	13
Table 15 Repairs and maintenance per asset class.....	14
Table 16 2011/12 Medium-term capital budget per vote	15
Table 17 MBRR Table A1 - Budget Summary	17
Table 18 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification).....	19
Table 19 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)	20
Table 20 Surplus/(Deficit) calculations for the trading services	21
Table 21 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)	22
Table 22 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.....	23
Table 23 MBRR Table A6 - Budgeted Financial Position	26
Table 24 MBRR Table A7 - Budgeted Cash Flow Statement	28
Table 25 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation	28
Table 26 MBRR Table A9 - Asset Management.....	29
Table 27 MBRR Table A10 - Basic Service Delivery Measurement	31
Table 28 IDP Strategic Objectives	35
Table 30 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure.....	37
Table 31 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure.....	38
Table 32 MBRR Table SA7 - Measurable performance objectives.....	40
Table 33 MBRR Table SA8 - Performance indicators and benchmarks.....	41
Table 35 Breakdown of the operating revenue over the medium-term	47
Table 38 MBRR SA16 – Investment particulars by maturity.....	49
Table 39 Sources of capital revenue over the MTREF	49
Table 41 MBRR Table SA 18 - Capital transfers and grant receipts	51
Table 42 MBRR Table A7 - Budget cash flow statement.....	52
Table 44 MBRR SA10 – Funding compliance measurement.....	53
Table 45 MBRR SA19 - Expenditure on transfers and grant programmes.....	57
Table 46 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds.....	58
Table 47 MBRR SA22 - Summary of councillor and staff benefits	59
Table 48 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)	60
Table 49 MBRR SA24 – Summary of personnel numbers	61
Table 50 MBRR SA25 - Budgeted monthly revenue and expenditure.....	62
Table 51 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote).....	63
Table 52 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification).....	64
Table 53 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)	65

Table 56 Water Services Department - operating revenue by source, expenditure by type and total capital expenditure	66
Table 58 MBRR SA 34a - Capital expenditure on new assets by asset class	67
Table 60 MBRR SA34c - Repairs and maintenance expenditure by asset class	68
Table 64 MBRR Table SA1 - Supporting detail to budgeted financial performance	71
Table 65 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department).....	73
Table 66 MBRR Table SA3 – Supporting detail to Statement of Financial Position	74

List of Figures

Figure 1 Main operational expenditure categories for the 2011/12 financial year	13
Figure 2 Capital Infrastructure Programme	16
Figure 3 Expenditure by major type.....	23
Figure 4 Depreciation in relation to repairs and maintenance over the MTREF	30
Figure 5 Planning, budgeting and reporting cycle	39
Figure 6 Definition of performance information concepts.....	40
Figure 7 Breakdown of operating revenue over the 2011/12 MTREF	47
Figure 8 Sources of capital revenue for the 2011/12 financial year	50

Abbreviations and Acronyms

AMR	Automated Meter Reading	MPRA	Municipal Properties Rates Act
ASGISA	Accelerated and Shared Growth Initiative	MSA	Municipal Systems Act
BPC	Budget Planning Committee	MTEF	Medium-term Expenditure Framework
CBD	Central Business District	MTREF	Medium-term Revenue and Expenditure Framework
CFO	Chief Financial Officer	NERSA	National Electricity Regulator South Africa
CPI	Consumer Price Index	NGO	Non-Governmental organisations
CRRF	Capital Replacement Reserve Fund	NKPIs	National Key Performance Indicators
DBSA	Development Bank of South Africa	OHS	Occupational Health and Safety
DoRA	Division of Revenue Act	OP	Operational Plan
DWA	Department of Water Affairs	PBO	Public Benefit Organisations
EE	Employment Equity	PHC	Provincial Health Care
EEDSM	Energy Efficiency Demand Side Management	PMS	Performance Management System
EM	Executive Mayor	PPE	Property Plant and Equipment
FBS	Free basic services	PPP	Public Private Partnership
GAMAP	Generally Accepted Municipal Accounting Practice	PTIS	Public Transport Infrastructure System
GDP	Gross domestic product	RG	Restructuring Grant
GFS	Government Financial Statistics	RSC	Regional Services Council
GRAP	General Recognised Accounting Practice	SALGA	South African Local Government Association
HR	Human Resources	SAPS	South African Police Service
HSRC	Human Science Research Council	SDBIP	Service Delivery Budget Implementation Plan
IDP	Integrated Development Strategy	SMME	Small Micro and Medium Enterprises
IT	Information Technology		
kℓ	kilolitre		
km	kilometre		
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MFMA	Municipal Financial Management Act Programme		
MIG	Municipal Infrastructure Grant		
MM	Municipal Manager		

Part 1 – Annual Budget

1.1 Mayor's Report

1.2 Council Resolutions

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The municipality's has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality's has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2011/12 MTREF.

The main challenges experienced during the compilation of the 2011/12 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from 1 July 2011 Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2011/12 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2011/12 MTREF:

- The 2010/11 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2011/12 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
 - Special Events;
 - Refreshments and entertainment;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2011/12 MTREF

R thousand	Adjustments Budget 2010/11	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Total Operating Revenue	66,201	72,237	79,860	88,231
Total Operating Expenditure	66,201	72,237	79,860	88,231
<i>(Surplus)/Deficit for the year</i>	0	0	0	0
Total Capital Expenditure	22,930	110,090	47,590	34,617

Total operating revenue has grown by 9,12 per cent or R6,036,032 for the 2011/12 financial year when compared to the 2010/11 Adjustments Budget. For the two outer years, operational revenue will increase by 10,55 and 10,48 per cent respectively, equating to a total revenue growth of R22,029,983 over the MTREF when compared to the 2010/11 financial year.

Total operating expenditure for the 2011/12 financial year has been appropriated at R 72,2 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 9,12 per cent in the 2011/12 budget and by 10,55 and 10,48 per cent for each of the respective outer years of the MTREF.

The capital budget of R110,090 million for 2011/12 is 380 per cent more when compared to the 2010/11 Adjustment Budget. The increase is due to various government allocations to the Bulk Water projects and the Electricity Side Demand Management. A portion of the capital budget will be funded from borrowing over MTREF with anticipated borrowings.

For UMSOBOMVU MUNICIPALITY to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The

reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality's and continued economic development;
- Efficient revenue management, which aims to ensure a 90,5 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2011/12 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Revenue By Source									
Property rates	2,756	3,146	–	3,431	3,631	3,631	3,727	3,917	4,116
Property rates - penalties & collection charges				20	655	655	20	20	20
Service charges - electricity revenue	7,527	9,120	–	15,455	15,455	15,455	18,520	22,137	26,918
Service charges - water revenue	4,562	5,426	–	7,686	7,318	7,318	7,717	8,111	8,525
Service charges - sanitation revenue	3,736	4,295	–	4,831	4,761	4,761	5,077	5,336	5,608
Service charges - refuse revenue	2,901	3,216	–	3,909	3,914	3,914	4,137	4,348	4,570
Service charges - other	257	1,353		160	196	196	151	224	132
Rental of facilities and equipment	47	275		41	38	38	43	45	47
Interest earned - external investments	17	12		12	34	34	51	12	13
Interest earned - outstanding debtors	766	969		860	1,495	1,495	958	937	1,111
Dividends received									
Fines	2,514	1,412		2,007	2,008	2,008	2,109	2,217	2,331
Licences and permits	333	360		285	268	268	282	296	311
Agency services									
Transfers recognised - operational	13,155	15,854		26,448	26,427	26,427	29,445	32,420	34,725
Other revenue	–	–	–	–	–	–	–	–	–
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	38,570	45,439	–	65,146	66,201	66,201	72,237	80,020	88,427

Table 3 Percentage growth in revenue by main revenue source

Description	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework						
	Adjusted Budget	%	Full Year Forecast	Budget Year 2011/12		Budget Year +1 2012/13		Budget Year +2 2013/14		
R thousand				%		%		%		%
Revenue By Source										
Property rates	3,631	5.5%	3,631	5.5%	3,727	5.2%	3,917	4.9%	4,116	4.7%
Property rates - penalties & collection charges	655	1.0%	655	1.0%	20	0.0%	20	0.0%	20	0.0%
Service charges - electricity revenue	15,455	23.3%	15,455	23.3%	18,520	25.6%	22,137	27.7%	26,918	30.4%
Service charges - water revenue	7,318	11.1%	7,318	11.1%	7,717	10.7%	8,111	10.1%	8,525	9.6%
Service charges - sanitation revenue	4,761	7.2%	4,761	7.2%	5,077	7.0%	5,336	6.7%	5,608	6.3%
Service charges - refuse revenue	3,914	5.9%	3,914	5.9%	4,137	5.7%	4,348	5.4%	4,570	5.2%
Service charges - other	196	0.3%	196	0.3%	151	0.2%	224	0.3%	132	0.1%
Rental of facilities and equipment	38	0.1%	38	0.1%	43	0.1%	45	0.1%	47	0.1%
Interest earned - external investments	34	0.1%	34	0.1%	51	0.1%	12	0.0%	13	0.0%
Interest earned - outstanding debtors	1,495	2.3%	1,495	2.3%	958	1.3%	937	1.2%	1,111	1.3%
Dividends received										
Fines	2,008	3.0%	2,008	3.0%	2,109	2.9%	2,217	2.8%	2,331	2.6%
Licences and permits	268	0.4%	268	0.4%	282	0.4%	296	0.4%	311	0.4%
Agency services										
Transfers recognised - operational	26,427	39.9%	26,427	39.9%	29,445	40.8%	32,420	40.5%	34,725	39.3%
Other revenue	-		-		-		-		-	
Gains on disposal of PPE										
Total Revenue (excluding capital transfers and contributions)	66,201	100%	66,201	100%	72,237	100%	80,020	100%	88,427	100%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise more than half of the total revenue mix. In the 2010/11 financial year, revenue from rates and services charges totalled R35,7 million or 53.97 per cent. This increases to R39,2 million, R43,8 million and R49,7million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 54 per cent in 2011/12 to 56.3 per cent in 2013/14. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1 (see page 99).

Property rates totalling 5 per cent or R3.7 million of the revenue source and increases to R4.1 million by 2013/14.

Operating grants and transfers totals R26.4 million in the 2010/11 financial year and steadily increases to R34.7 million by 2013/14. Note that the year-on-year growth for the 2011/12 financial year is 11.4 per cent and then flattens out to 10.1 and 7.1 per cent in the two outer years.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
RECEIPTS:									
Operating Transfers and Grants									
National Government:	12,641	15,042	21,240	26,076	26,076	26,076	29,466	32,306	34,119
Local Government Equitable Share									
Equitable share	11,507	14,057	18,948	23,637	23,637	23,637	26,638	29,291	30,714
Finance Management	500	250	1,000	1,200	1,200	1,200	1,450	1,500	1,750
Municipal Systems Improvement	634	735	850	750	750	750	790	800	900
Municipal Infrastructure(MIG)			442	489	489	489	588	715	755
Provincial Government:	284	319	345	372	350	350	389	410	410
Health subsidy									
Library Development	284	319	345	372	350	350	389	410	410
Total Operating Transfers and Grants	12,925	15,361	21,585	26,448	26,426	26,426	29,855	32,716	34,529

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals etc. The current challenge facing the municipality's is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality's has undertaken the tariff setting process relating to service charges as follows.

1.3.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative

Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2011/12 financial year based on a 6 per cent increase from 1 July 2011 is contained below:

Table 5 Comparison of proposed rates to be levied for the 2011/12 financial year

Category	Current Tariff (1 July 2010)	Proposed tariff (from 1 July 2011)
	C	C
Residential properties	1,03	1,06
State owned properties	1,51	1,63
Business & Commercial	1,16	1,23
Agricultural	0,258	0,265
Industrial	1,16	1,23

1.3.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with its municipality's, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

An average tariff increase of 5 per cent from 1 July 2011 for water is proposed. This is based on input cost assumptions of bulk water and the cost of other inputs and a surplus generated on the water service of a minimum 6 per cent. In addition 6 kℓ water per month will again be granted free of charge to all indigents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
(i) 0 to 6 kℓ	3.61	3.71
(ii) 6 to 20 kℓ	4.27	4.44
(iii) 20 to 30 kℓ	5.39	5.65
(vi) More than 30 kℓ	6.78	7.32
NON-RESIDENTIAL		
(i) 0 – 60 kℓ	4.96	5.25
(iii) More than 60 kℓ	6.66	7.05

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 7 Comparison between current water charges and increases (Domestic)

Monthly consumption kℓ	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
20	81.44	84.45	3.01	3.69%
30	135.34	140.95	5.61	4.14%
40	203.14	214.14	11.00	5.41%
50	270.94	287.32	16.38	6.04%
80	474.34	506.92	32.58	6.87%
100	609.94	653.32	43.38	7.11%

The tariff structure of the 2010/11 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R7.32 per kilolitre for consumption in excess of 30 kℓ per month.

1.3.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 20.38 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2011.

Considering the Eskom increases, the consumer tariff had to be increased by 20.38 per cent to offset the additional bulk purchase cost from 1 July 2011. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per month period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

Table 8 Comparison between current electricity charges and increases (Domestic)

Monthly consumption kWh	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
100	76.00	67.00	(9.00)	-11.8%
250	190.00	171.00	(19.00)	-10%
500	380.00	388.00	8.00	2.1%
750	570.00	660.00	90.00	15.8%
1 000	760.00	950.00	190.00	25%
2 000	1 520.00	2 110.00	590.00	38.8%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. The upgrading of the municipality electricity network has become a strategic priority, especially the substations and transmission lines.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore clear that grants will be the only source of funding for the maintenance and upgrading of the infrastructure.

Sanitation and Impact of Tariff Increases

An average tariff increase of 6 per cent for sanitation from 1 July 2011 is proposed.

The following table compares the current and proposed tariffs:

Table 9 Comparison between current sanitation charges and increases

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Rand per month	Rand per month
Household	68.20	72.30
Garages	136.74	144.94
Prison	227.20	240.83
Hospital	243.12	257.70
Business	88.41	92.83

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

Table 10 Comparison between current sanitation charges and increases, single dwelling-houses

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12	DIFFERENCE (increase)	PERCENTAGE CHANGE
	Rand per month	Rand per month		
Household	68.20	72.30	4.10	6%
Garages	136.74	144.94	8.20	6%
Prison	227.20	240.83	13.63	6%
Hospital	243.12	257.70	14.58	6%
Business	88.41	92.83	4.42	5%

1.3.4 Waste Removal and Impact of Tariff Increases

An average of 6 per cent increase in the waste removal tariff is proposed from 1 July 2011. Higher increases will not be viable in 2011/12 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2011:

Table 11 Comparison between current waste removal fees and increases

CATEGORY	CURRENT TARIFFS 2010/11	PROPOSED TARIFFS 2011/12
	Rand per month	Rand per month
Household bins		
: for the first bin	51.90	55.01
: additional bin	17.68	18.74
Business bins	74.02	78.46
Household garden	5.38	5.64

1.3.5 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 5.7 and 16.4 per cent, with the increase for indigent households closer to 5.7 per cent.

Table 12 MBRR Table SA14 – Household bills

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12 % incr.	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Rand/cent											
Monthly Account for Household - 'Large' Household	1										
Rates and services charges:											
Property rates		126.26	145.20	175.00	180.25	180.25	180.25	5.0%	189.18	198.63	208.60
Electricity: Basic levy		38.81	44.24	47.56	49.94	49.94	49.94	5.0%	52.44	55.05	57.80
Electricity: Consumption		411.80	482.00	646.00	760.00	760.00	760.00	20.0%	946.50	1,133.00	1,360.00
Water: Basic levy		40.91	46.19	49.65	51.14	51.14	51.14	3.0%	52.67	54.25	55.88
Water: Consumption		70.56	79.68	130.82	135.34	135.34	135.34		140.92	146.90	153.08
Sanitation		53.52	60.42	64.96	68.20	68.20	68.20	6.0%	72.30	76.64	81.24
Refuse removal		41.52	46.87	50.39	51.90	51.90	51.90	6.0%	55.01	58.31	61.81
Other											
sub-total		783.38	904.60	1,164.38	1,296.77	1,296.77	1,296.77	16.4%	1,509.02	1,722.78	1,978.41
VAT on Services											
Total large household bill:		783.38	904.60	1,164.38	1,296.77	1,296.77	1,296.77	16.4%	1,509.02	1,722.78	1,978.41
% increase/-decrease			15.5%	28.7%	11.4%	-	-		16.4%	14.2%	14.8%
Monthly Account for Household - 'Small' Household	2										
Rates and services charges:											
Property rates		51.33	59.03	58.33	60.07	60.07	60.07	5.0%	63.07	66.22	69.53
Electricity: Basic levy		38.81	44.24	47.56	49.94	49.94	49.94	5.0%	52.43	55.05	57.80
Electricity: Consumption		205.08	240.03	321.70	378.48	378.48	378.48	20.0%	403.56	482.68	578.22
Water: Basic levy		40.91	46.19	49.65	51.14	51.14	51.14	3.0%	52.67	54.25	55.88
Water: Consumption		55.86	63.08	105.17	108.41	108.41	108.41		112.67	117.25	121.93
Sanitation		53.52	60.42	64.96	68.20	68.20	68.20	6.0%	72.30	76.64	81.24
Refuse removal		41.52	46.87	50.39	51.90	51.90	51.90	6.0%	55.01	58.31	61.81
Other											
sub-total		487.03	559.86	697.76	768.14	768.14	768.14	5.7%	811.71	910.40	1,026.41
VAT on Services											
Total small household bill:		487.03	559.86	697.76	768.14	768.14	768.14	5.7%	811.71	910.40	1,026.41
% increase/-decrease			15.0%	24.6%	10.1%	-	-		5.7%	12.2%	12.7%

1.4 Operating Expenditure Framework

The municipality's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

Table 13 Summary of operating expenditure by standard classification item

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Expenditure By Type									
Employee related costs	14,508	18,340	–	25,551	24,413	24,413	26,915	28,053	29,958
Remuneration of councillors	1,792	1,850		2,386	2,457	2,457	2,846	2,991	3,133
Debt impairment		–		3,944	5,100	5,100	3,731	3,825	3,884
Depreciation & asset impairment	–	–	–	–	–	–	–	–	–
Finance charges	854	1,242		1,571	1,572	1,572	2,202	2,228	2,253
Bulk purchases	5,400	7,318	–	10,619	10,619	10,619	13,398	16,818	21,119
Other materials									
Contracted services	371	337	–	500	673	673	602	526	552
Transfers and grants									
Other expenditure	15,594	16,288	–	20,575	21,366	21,366	22,543	25,579	27,527
Loss on disposal of PPE									
Total Expenditure	38,518	45,375	–	65,146	66,201	66,201	72,237	80,020	88,427

The budgeted allocation for employee related costs for the 2011/12 financial year totals R26.9 million which equals 37 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.08 per cent for the 2011/12 financial year. An annual increase of 6.8 per cent has been included in the two outer years of the MTREF.

The settlement reached by the SALGBC parties in the salary dispute resulted in a further financial implication on this area of expenditure. A preliminary amount of R319,126 has been included in the 2011/12 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalised.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 90 per cent and the Debt Write-off Policy of the Municipality. For the 2011/12 financial year this amount equates to R3,7 million and escalates to R3,8 million by 2013/12. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years. This process will be finalised and provision will be made as soon as the process has been completed.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 3 per cent (R2,2 million) of operating expenditure excluding annual redemption for 2011/12 and increases to R2.2 million by 2013/14.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Department of Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. For 2011/12 the appropriation against this group of expenditure has grown by 3.3 per cent (R2.4 million) and continues to grow at 7.5 per cent for the two outer years of which budget allocation is in excess of R.2.8 million by 2013/14.

The following table gives a breakdown of the main expenditure categories for the 2011/12 financial year.

Figure 1 Main operational expenditure categories for the 2011/12 financial year

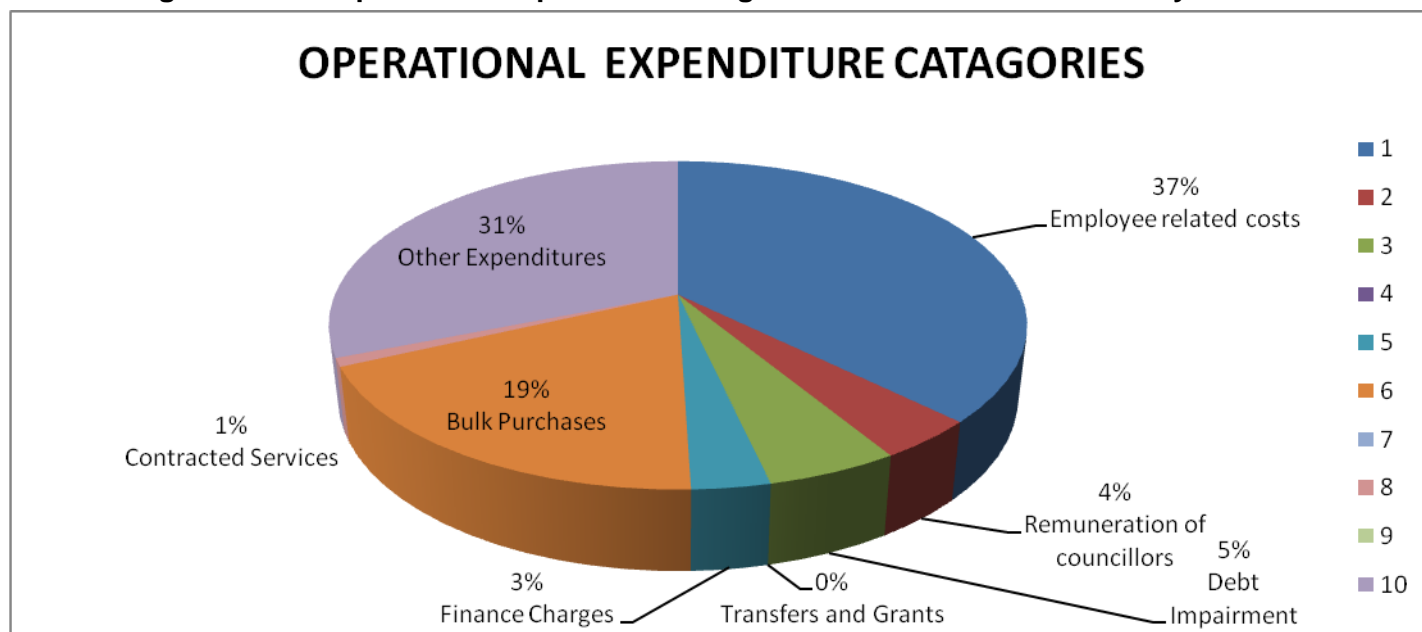


Table 14 Operational repairs and maintenance

Description	2007/8	2008/9	2009/10	Current Year 2010/11		Full Year Forecast	2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget		Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Repairs and Maintenance by Expenditure Item									
Employee related costs									
Other materials									
Contracted Services									
Other Expenditure	3,151	1,281		2,214	2,239	2,239	2,417	2,599	2,798
Total Repairs and Maintenance Expenditure	3,151	1,281	-	2,214	2,239	2,239	2,417	2,599	2,798

During the compilation of the 2011/12 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 21 per cent in the 2010/11 financial year, from R 1,05 million to R 2,15 million. The total allocation for 2011/12 equates to R 2,32 million a growth of 8 per cent in relation to the Adjustment Budget and continues to grow at 8 and 8 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 3.3, 3.2 and 3.2 per cent for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 15 Repairs and maintenance per asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Depreciation and asset impairment	–	–	312	1082	1082	1082	1135	1221	1314
Repairs and maintenance expenditure by Asset Class/Sub-class	383	356	1,050	2,105	2,152	2,152	2,326	2,501	2,686
Infrastructure - Road transport	160	164	390	558	443	443	515	557	593
Infrastructure - Electricity	–	–	–	478	478	478	502	542	586
Infrastructure - Water	–	–	220	260	260	260	273	295	318
Infrastructure - Sanitation	–	–	–	29	41	41	43	45	47
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	160	164	610	1,325	1,222	1,222	1,333	1,439	1,544
Community	–	–	96	186	254	254	267	288	311
Other assets	223	192	344	594	677	677	726	775	831
Total Operating Expenditure	383	356	1,362	2,106	2,154	2,154	2,327	2,502	2,686

1.4.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The target is to register 2700 or more indigent households during the 2011/12 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement)

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.5 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 16 2011/12 Medium-term capital budget per vote

Description	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
R thousand								
Vote1 - Executive & Council								
Council	12	0.1%						
Vote2 - Finance & Administration								
Finance	158	0.7%						
Vote3 - Community Services								
Cemeteries	150	1%						
Vote4 - Technical Services								
Water	19,293	84%	44,777	42%	47,590	100%	34,337	99%
Electricity	3,317	14%	61,170	58%			280	1%
Total Capital Budget	22,930	100%	105,947	100%	47,590	100%	34,617	100%

For 2011/12 an amount of R105.9 million has been appropriated for the development of infrastructure which represents 100 per cent of the total capital budget. In the outer years this amount totals R47.6 million and R34.6 million respectively for each of the financial years. Electricity receives the highest allocation of R61.1 million in 2011/12 which equates to 58 per cent followed by bulk water at 42 per cent, R44.8 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

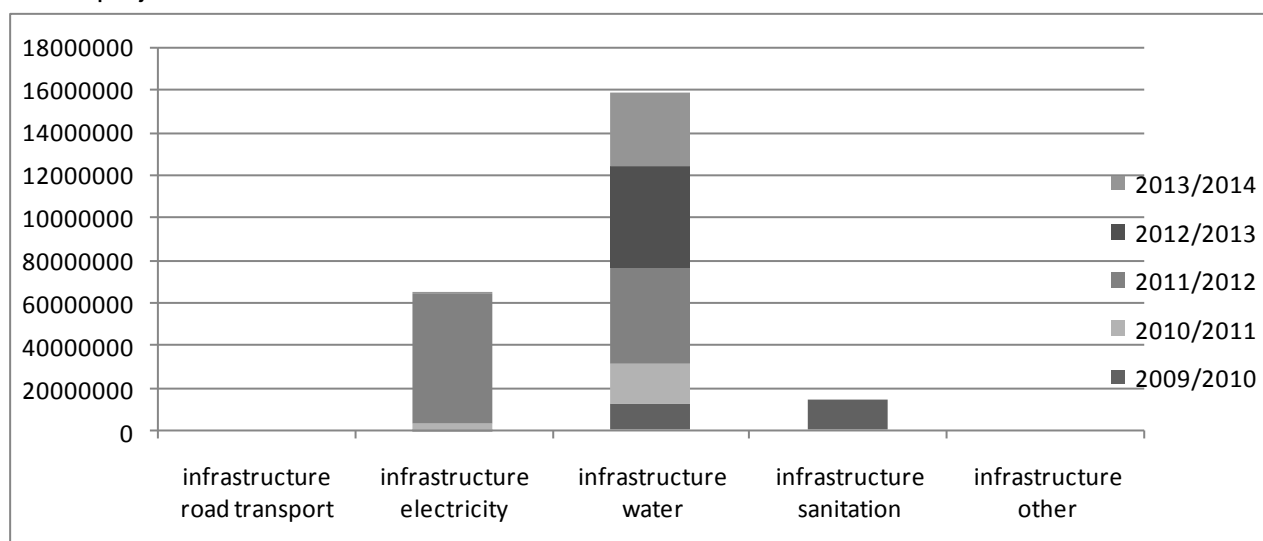


Figure 2 Capital Infrastructure Programme

1.6 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated.

Table 18 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Revenue - Standard									
<i>Governance and administration</i>	15,649	18,706	24,558	29,276	30,157	30,157	32,191	35,140	37,573
Executive and council	12,741	15,285	18,948	23,649	23,649	23,649	26,095	28,835	30,714
Budget and treasury office	151	251	2,043	2,175	2,220	2,220	2,348	2,367	2,721
Corporate services	2,756	3,170	3,567	3,452	4,288	4,288	3,748	3,938	4,138
<i>Community and public safety</i>	3,411	2,409	1,814	2,919	2,890	2,890	3,023	3,199	3,393
Community and social services	431	627	514	633	620	620	639	693	758
Sport and recreation	100	—	—	—	—	—	—	—	—
Public safety	2,842	1,769	1,300	2,285	2,271	2,271	2,384	2,505	2,635
Housing	—	—	—	—	—	—	—	—	—
Health	39	13	—	—	—	—	—	—	—
<i>Economic and environmental services</i>	48	138	27	22	36	36	435	36	38
Planning and development	—	—	—	—	—	—	—	—	—
Road transport	48	138	27	22	36	36	435	36	38
Environmental protection	—	—	—	—	—	—	—	—	—
<i>Trading services</i>	19,463	24,186	30,473	52,822	56,048	56,048	146,678	89,234	82,041
Electricity	7,710	10,299	13,450	15,998	19,174	19,174	79,991	22,454	27,531
Water	4,823	5,767	7,789	27,789	27,674	27,674	53,419	56,770	43,989
Waste water management	3,904	4,503	5,283	4,978	5,010	5,010	7,232	5,499	5,779
Waste management	3,026	3,618	3,951	4,057	4,190	4,190	6,035	4,512	4,742
<i>Other</i>	—	—	—	—	—	—	—	—	—
Total Revenue - Standard	38,570	45,439	56,871	85,038	89,131	89,131	182,327	127,610	123,045
Expenditure - Standard									
<i>Governance and administration</i>	14,430	18,893	21,591	25,050	25,959	25,959	26,795	29,463	31,420
Executive and council	9,412	11,285	12,192	13,690	13,844	13,844	14,076	16,193	17,091
Budget and treasury office	3,491	5,249	5,998	7,493	7,999	7,999	8,768	9,095	9,873
Corporate services	1,527	2,358	3,401	3,866	4,115	4,115	3,952	4,175	4,455
<i>Community and public safety</i>	3,351	3,490	4,355	5,412	5,229	5,229	5,962	6,446	6,982
Community and social services	1,829	1,546	2,097	2,718	2,594	2,594	2,896	3,129	3,396
Sport and recreation	63	93	548	656	648	648	951	1,022	1,108
Public safety	816	1,192	1,405	1,635	1,612	1,612	1,715	1,852	2,000
Housing	—	—	305	402	375	375	400	443	477
Health	643	660	—	—	—	—	—	—	—
<i>Economic and environmental services</i>	4,571	6,813	5,232	6,103	5,897	5,897	6,764	7,292	7,863
Planning and development	—	—	—	—	—	—	324	349	375
Road transport	4,571	6,813	5,232	6,103	5,897	5,897	6,439	6,944	7,488
Environmental protection	—	—	—	—	—	—	—	—	—
<i>Trading services</i>	16,167	16,179	25,693	28,581	29,117	29,117	32,716	36,818	42,162
Electricity	7,558	8,212	10,827	13,233	13,421	13,421	16,204	19,810	24,309
Water	4,400	4,346	7,318	7,884	8,042	8,042	8,088	8,622	9,198
Waste water management	2,124	1,875	3,679	3,696	3,746	3,746	4,178	4,326	4,478
Waste management	2,084	1,745	3,869	3,769	3,908	3,908	4,247	4,060	4,177
<i>Other</i>	—	—	—	—	—	—	—	—	—
Total Expenditure - Standard	38,518	45,375	56,871	65,146	66,201	66,201	72,237	80,020	88,427
Surplus/(Deficit) for the year	52	64	—	19,892	22,930	22,930	110,090	47,590	34,617

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 12 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 19 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Revenue by Vote									
Vote1 - Executive & Council	12,741	15,285	18,948	23,637	23,637	23,637	26,095	28,835	30,714
Vote2 - Finance & Administration	3,037	3,707	5,761	5,562	6,440	6,440	6,194	6,408	6,967
Vote3 - Community Services	6,308	5,742	5,614	6,732	6,840	6,840	8,960	7,607	8,027
Vote4 - Technical Services	16,484	20,706	26,549	29,214	29,284	29,284	141,078	84,759	77,337
Example 5 - Vote5	-	-	-	-	-	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-
Total Revenue by Vote	38,570	45,439	56,871	65,146	66,201	66,201	182,327	127,610	123,045
Expenditure by Vote to be appropriated									
Vote1 - Executive & Council	9,412	11,285	12,192	13,690	13,844	13,844	14,076	16,193	17,091
Vote2 - Finance & Administration	5,733	8,201	10,166	12,624	13,286	13,286	13,952	14,599	15,767
Vote3 - Community Services	4,720	4,642	7,457	7,916	7,965	7,965	9,300	9,526	10,097
Vote4 - Technical Services	18,653	21,247	27,056	30,916	31,106	31,106	34,909	39,702	45,473
Example 5 - Vote5	-	-	-	-	-	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	38,518	45,375	56,871	65,146	66,201	66,201	72,237	80,020	88,427
Surplus/(Deficit) for the year	52	64	(0)	0	-	-	110,090	47,590	34,617

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality's. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 20 Surplus/ (Deficit) calculations for the trading services

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Electricity									
Total Revenue (Incl capital grants and transfers)	7 710	10 299	13 450	15 718	15 857	15 857	79 991	22 454	27 531
Operating expenditure	7 558	8 212	10 827	13 233	13 421	13 421	16 204	19 810	24 309
Surpluses/(deficit) for the year	152	2 087	2 623	2 485	2 436	2 436	63 787	2 644	3 222
Percentage surplus	2.01%	25.41%	24.23%	18.78%	18.15%	18.15%	80%	12%	12%
Water									
Total Revenue (Incl capital grants and transfers)	4 823	5 767	7 789	8 496	8 381	8 381	53 419	56 770	43 989
Operating expenditure	4 400	4 346	7 318	7 884	8 042	8 042	8 088	8 622	9 198
surpluses/(Deficit) for the year	423	1 421	471	612	339	339	45 331	48 148	34 791
Percentage surplus	9.61%	32.70%	6.44%	7.76%	4.21%	4.21%	84.86%	84.81%	79.09%

- The electricity trading surplus is deteriorating over the 2011/12 MTREF from 80 per cent or R 63 787 in 2011/12 to 12 per cent by 2013/14. This is primarily as a result of the allocation from Treasury for capital infrastructure and the high increases in Eskom bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.
- The surplus on the water account remains relatively constant over the MTREF translating into a surplus of 84.86 per cent, 84.81 per cent and 79.09 per cent for each of the respective financial years.

Table 21 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Revenue By Source									
Property rates	2,756	3,146	3,585	3,431	3,631	3,631	3,727	3,917	4,116
Property rates - penalties & collection charges				20	655	655	20	20	20
Service charges - electricity revenue	7,527	9,120	14,150	15,455	15,455	15,455	18,520	22,137	26,918
Service charges - water revenue	4,562	5,426	6,901	7,686	7,318	7,318	7,717	8,111	8,525
Service charges - sanitation revenue	3,736	4,295	4,621	4,831	4,761	4,761	5,077	5,336	5,608
Service charges - refuse revenue	2,901	3,216	3,806	3,909	3,914	3,914	4,137	4,348	4,570
Service charges - other	257	1,353	240	160	196	196	151	224	132
Rental of facilities and equipment	47	275	298	41	38	38	43	45	47
Interest earned - external investments	17	12	102	12	34	34	51	12	13
Interest earned - outstanding debtors	766	969	1,110	860	1,495	1,495	958	937	1,111
Dividends received									
Fines	2,514	1,412	1,573	2,007	2,008	2,008	2,109	2,217	2,331
Licences and permits	333	360	362	285	268	268	282	296	311
Agency services									
Transfers recognised - operational	13,155	15,854	18,948	26,448	26,427	26,427	29,445	32,420	34,725
Other revenue	-	-	17,588	-	-	-	-	-	-
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	38,570	45,439	73,286	65,146	66,201	66,201	72,237	80,020	88,427
Expenditure By Type									
Employee related costs	14,508	18,340	20,876	25,551	24,413	24,413	26,915	28,053	29,958
Remuneration of councillors	1,792	1,850	2,119	2,386	2,457	2,457	2,846	2,991	3,133
Debt impairment		-	42,907	3,944	5,100	5,100	3,731	3,825	3,884
Depreciation & asset impairment	-	-	312	-	-	-	-	-	-
Finance charges	854	1,242	319	1,571	1,572	1,572	2,202	2,228	2,253
Bulk purchases	5,400	7,318	8,404	10,619	10,619	10,619	13,398	16,818	21,119
Other materials			1,286						
Contracted services	371	337	475	500	673	673	602	526	552
Transfers and grants			17,588						
Other expenditure	12,443	15,007	14,028	20,575	21,366	21,366	22,543	25,579	27,527
Loss on disposal of PPE									
Total Expenditure	35,367	44,094	108,314	65,146	66,201	66,201	72,237	80,020	88,427
Surplus/(Deficit)	3,202	1,345	(35,029)	(0)	(0)	(0)	0	(0)	(0)
Transfers recognised - capital				19,893	22,930	22,930	110,090	47,590	34,617
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	3,202	1,345	(35,029)	19,892	22,930	22,930	110,090	47,590	34,617
Taxation									
Surplus/(Deficit) after taxation	3,202	1,345	(35,029)	19,892	22,930	22,930	110,090	47,590	34,617
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	3,202	1,345	(35,029)	19,892	22,930	22,930	110,090	47,590	34,617
Share of surplus/ (deficit) of associate									
Surplus/(Deficit) for the year	3,202	1,345	(35,029)	19,892	22,930	22,930	110,090	47,590	34,617

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R 72.2 million in 2011/12 and escalates to R 88.4 million by 2013/14. This represents a year-on-year increase of 11 per cent for the 2012/13 financial year and 10.5 per cent for the 2013/14 financial year.
2. Revenue to be generated from property rates is R 3.7 million in the 2011/12 financial year and increases to R 4.1 million by 2013/14 which represents 5.12 per cent of the operating revenue base of the municipality's and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality's totalling R 35.5 million for the

2011/12 financial year and increasing to R 45.6 million by 2013/14. For the 2011/12 financial year services charges amount to 49 per cent of the total revenue base and grows by 13 per cent and 14 per cent for the respective medium-term financial years. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 10 per cent and 7 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
5. The following graph illustrates the major expenditure items per type.

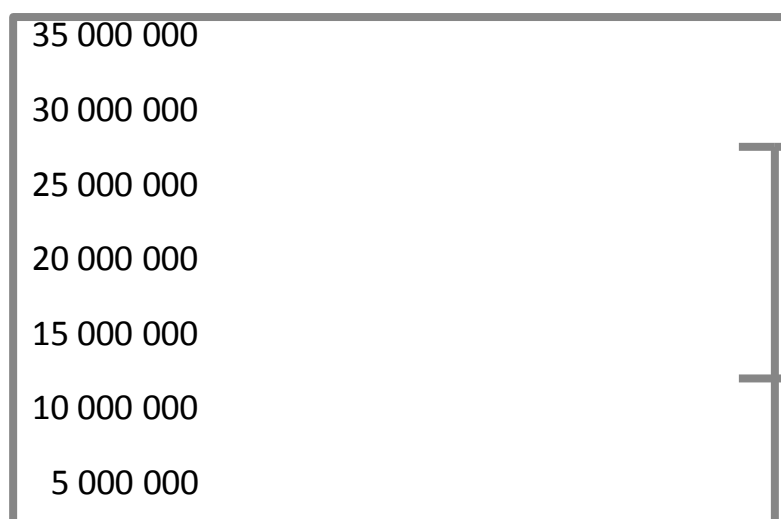


Figure 3 Expenditure by major type

6. Bulk purchases have significantly increased over the 2007/08 to 2013/14 period escalating from R 5.4 million to R 21.1 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 22 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Capital expenditure - Vote									
Multi-year expenditure, to be appropriated									
Vote1 - Executive & Council	2,573	-	-	12	12	12	-	-	-
Vote2 - Finance & Administration	415	-	-	158	158	158	-	-	-
Vote3 - Community Services	-	-	1,080	150	150	150	1,743	-	-
Vote4 - Technical Services	2,494	6,749	26,918	19,573	22,610	22,610	108,347	47,590	34,617
Example 5 - Vote5	-	-	-	-	-	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	5,482	6,749	27,998	19,893	22,930	22,930	110,090	47,590	34,617
Single-year expenditure to be appropriated									
Vote1 - Executive & Council	-	-	-	-	-	-	-	-	-
Vote2 - Finance & Administration	-	-	-	-	-	-	-	-	-
Vote3 - Community Services	-	-	-	-	-	-	-	-	-
Vote4 - Technical Services	-	-	-	-	-	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote	5,482	6,749	27,998	19,893	22,930	22,930	110,090	47,590	34,617
Capital Expenditure - Standard									
Governance and administration	-	-	-	-	-	-	-	-	-
Executive and council									
Budget and treasury office									
Corporate services									
Community and public safety	-	-	-	-	-	-	-	-	-
Community and social services									
Sport and recreation									
Public safety									
Housing									
Health									
Economic and environmental services	-	-	-	-	-	-	-	-	-
Planning and development									
Road transport									
Environmental protection									
Trading services	-	-	-	-	-	-	-	-	-
Electricity									
Water									
Waste water management									
Waste management									
Other									
Total Capital Expenditure - Standard	-	-	-	-	-	-	-	-	-
Funded by:									
National Government	2,387		13,957	9,293	9,293	9,293	11,177	13,590	14,337
Provincial Government			12,961	10,280	13,317	13,317	93,650	34,000	20,280
District Municipality									
Other transfers and grants		447	1,080						
Transfers recognised - capital	2,387	447	27,998	19,573	22,610	22,610	104,827	47,590	34,617
Public contributions & donations									
Borrowing	579						5,263		
Internally generated funds	150			320	320	320			
Total Capital Funding	3,116	447	27,998	19,893	22,930	22,930	110,090	47,590	34,617

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations, borrowing and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R104.8 million (95.2 per cent) and decrease to R34.6 million by 2013/14 (100 per cent). Borrowing has been provided at R5.3 million over the MTREF for each of the respective financial years of the MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 23 MBRR Table A6 - Budgeted Financial Position

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
ASSETS									
Current assets									
Cash			2,337	2,337	2,337	2,337	3,000	3,000	3,500
Call investment deposits	691	600	632	500	500	500	500	750	1,000
Consumer debtors	33,722	40,662	14,821	28,000	28,000	28,000	29,000	30,000	32,000
Other debtors			358						
Current portion of long-term receivables									
Inventory			44	44	44	44			
Total current assets	34,413	41,262	18,193	30,881	30,881	30,881	32,500	33,750	36,500
Non current assets									
Long-term receivables			9	9	9	9			
Investments									
Investment property			348	348	348	348			
Investment in Associate									
Property, plant and equipment	-	-	82,978	85,000	85,000	85,000	185,000	219,000	250,000
Agricultural									
Biological									
Intangible									
Other non-current assets									
Total non current assets	-	-	83,335	85,357	85,357	85,357	185,000	219,000	250,000
TOTAL ASSETS	34,413	41,262	101,528	116,238	116,238	116,238	217,500	252,750	286,500
LIABILITIES									
Current liabilities									
Bank overdraft			400	-	-	-			
Borrowing	-	-	1,058	1,000	1,000	1,000	1,400	1,400	1,400
Consumer deposits			545	545	545	545			
Trade and other payables	21,374	21,207	22,511	14,000	14,000	14,000	2,750	2,600	1,500
Provisions				10,533	10,533	10,533			
Total current liabilities	21,374	21,207	24,514	26,078	26,078	26,078	4,150	4,000	2,900
Non current liabilities									
Borrowing	3,359	2,323	1,251	540	540	540	5,621	4,200	3,000
Provisions	761	1,105	13,084	7,300	7,300	7,300	7,350	7,600	7,900
Total non current liabilities	4,120	3,428	14,335	7,840	7,840	7,840	12,971	11,800	10,900
TOTAL LIABILITIES	25,494	24,634	38,849	33,918	33,918	33,918	17,121	15,800	13,800
NET ASSETS	8,919	16,628	62,679	82,321	82,321	82,321	200,379	236,950	272,700
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)			62,679	82,321	82,321	82,321	200,379	236,950	272,700
Reserves	7,589	7,651	-	500	500	500	594	644	694
Minorities' interests									
TOTAL COMMUNITY WEALTH/EQUITY	7,589	7,651	62,679	82,821	82,821	82,821	200,973	237,594	273,394

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;

- Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
 5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 24 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	25,415	29,585	65,821	38,349	38,349	38,349	42,309	45,832	54,041
Government - operating	13,155	15,854	21,961	26,448	26,426	26,426	29,838	32,246	33,364
Government - capital	6,037	1,080	14,574	19,893	22,930	22,930	110,090	47,590	34,617
Interest			102						
Dividends									
Payments									
Suppliers and employees	(43,147)	(44,580)	(73,023)	(63,148)	(63,215)	(63,215)	(180,594)	(123,885)	(120,269)
Finance charges	(854)	(1,242)	(319)	(1,560)	(1,560)	(1,560)	(1,644)	(1,783)	(1,753)
Transfers and Grants									
NET CASH FROM/(USED) OPERATING ACTIVITIES	607	697	29,116	19,982	22,930	22,930	(0)	(0)	(0)
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE									
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables			6						
Decrease (increase) in non-current investments									
Payments									
Capital assets			(6,793)						
NET CASH FROM/(USED) INVESTING ACTIVITIES	-	-	(6,787)	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans									
Borrowing long term/refinancing									
Increase (decrease) in consumer deposits									
Payments									
Repayment of borrowing			(1,050)						
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	(1,050)	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	607	697	21,279	19,982	22,930	22,930	(0)	(0)	(0)
Cash/cash equivalents at the year begin:		607	1,305					(0)	(1)
Cash/cash equivalents at the year end:	607	1,305	22,584	19,982	22,930	22,930	(0)	(1)	(1)

Table 25 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Cash and investments available									
Cash/cash equivalents at the year end	607	1,305	22,584	19,982	22,930	22,930	(0)	(1)	(1)
Other current investments > 90 days	83	(704)	(20,015)	(17,145)	(20,093)	(20,093)	3,500	3,751	4,501
Non current assets - Investments	-	-	-	-	-	-	-	-	-
Cash and investments available:	691	600	2,569	2,837	2,837	2,837	3,500	3,750	4,500
Application of cash and investments									
Unspent conditional transfers	13,482	9,264	3,971	1,000	1,000	1,000	2,000	2,000	1,000
Unspent borrowing									
Statutory requirements									
Other working capital requirements	(13,178)	(12,638)	10,897	(7,202)	(7,027)	(7,027)	(25,935)	(26,255)	(30,185)
Other provisions									
Long term investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments									
Total Application of cash and investments:	304	(3,374)	14,868	(6,202)	(6,027)	(6,027)	(23,935)	(24,255)	(29,185)
Surplus(shortfall)	387	3,974	(12,298)	9,039	8,864	8,864	27,435	28,005	33,685

Table 26 MBRR Table A9 - Asset Management

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
CAPITAL EXPENDITURE									
<u>Total New Assets</u>	5,482	447	27,998	19,893	22,930	22,930	108,347	47,590	34,617
Infrastructure - Road transport	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	2,123	-	280	280	3,317	3,317	61,170	-	280
Infrastructure - Water	-	-	12,681	19,293	19,293	19,293	44,777	47,590	34,337
Infrastructure - Sanitation	-	-	13,957	-	-	-	2,000	-	-
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	2,123	-	26,918	19,573	22,610	22,610	107,947	47,590	34,617
Community	248	310	1,080	150	150	150	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	3,112	137	-	170	170	170	400	-	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
<u>Total Renewal of Existing Assets</u>	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	-	-	-	-	-	-	-	-	-
Infrastructure - Water	-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Community	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
<u>Total Capital Expenditure</u>	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	2,123	-	280	280	3,317	3,317	61,170	-	280
Infrastructure - Water	-	-	12,681	19,293	19,293	19,293	44,777	47,590	34,337
Infrastructure - Sanitation	-	-	13,957	-	-	-	2,000	-	-
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	2,123	-	26,918	19,573	22,610	22,610	107,947	47,590	34,617
Community	248	310	1,080	150	150	150	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	3,112	137	-	170	170	170	400	-	-
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	5,482	447	27,998	19,893	22,930	22,930	108,347	47,590	34,617
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport									
Infrastructure - Electricity									
Infrastructure - Water									
Infrastructure - Sanitation									
Infrastructure - Other									
Infrastructure	-	-	-	-	-	-	-	-	-
Community									
Heritage assets									
Investment properties	-	-	348	348	348	348	-	-	-
Other assets									
Agricultural Assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	-	-	348	348	348	348	-	-	-
EXPENDITURE OTHER ITEMS									
<u>Depreciation & asset impairment</u>	-	-	312	-	-	-	-	-	-
<u>Repairs and Maintenance by Asset Class</u>	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	-	-	-	-	-	-	-	-	-
Infrastructure - Water	-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation	-	-	-	-	-	-	-	-	-
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-
Community	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS	-	-	312	-	-	-	-	-	-
Renewal of Existing Assets as % of total capex	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprecn"	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal and R&M as a % of PPE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality's do not meet these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

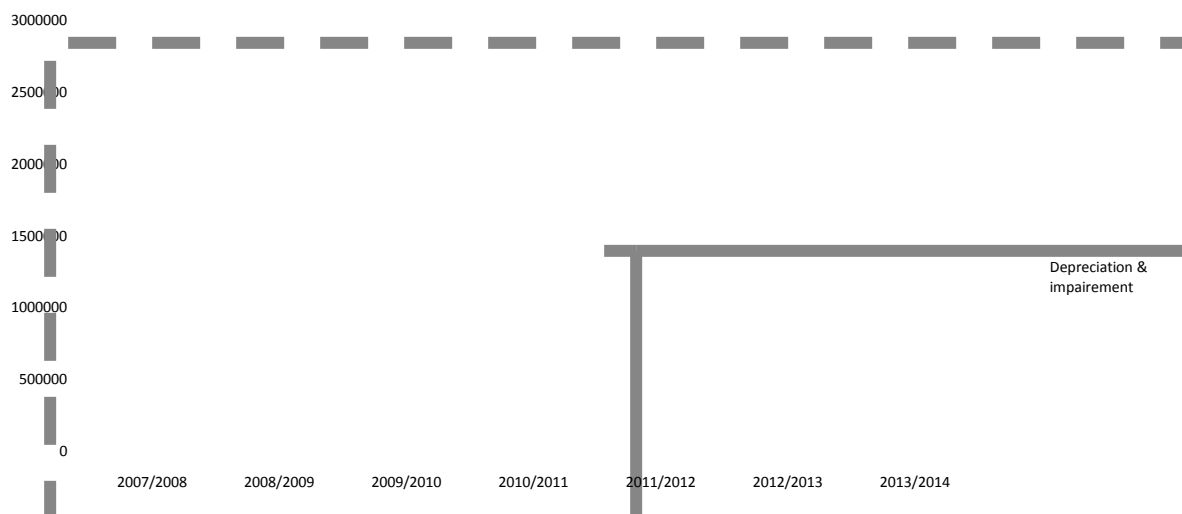


Figure 4 Depreciation in relation to repairs and maintenance over the MTREF

Table 27 MBRR Table A10 - Basic Service Delivery
Measurement

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Household service targets (000)									
Water:									
Piped water inside dwelling	429	525	620	659	659	659	695	730	764
Piped water inside yard (but not in dwelling)	125	106	86	73	73	73	62	52	45
Using public tap (at least min.service level)	113	58	3	1	1	1	1	0	0
Other water supply (at least min.service level)	4	2	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>	671	690	709	733	733	733	758	783	809
Using public tap (< min.service level)	—	—	—	—	—	—	—	—	—
Other water supply (< min.service level)	16	10	4	3	3	3	2	1	1
No water supply	—	—	—	—	—	—	—	—	—
<i>Below Minimum Service Level sub-total</i>	16	10	4	3	3	3	2	1	1
Total number of households	687	700	713	736	736	736	760	784	810
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	490	509	528	555	555	555	584	612	642
Flush toilet (with septic tank)	12	12	12	11	11	11	11	11	10
Chemical toilet	10	10	10	9	9	9	9	9	8
Pit toilet (ventilated)	139	134	130	126	126	126	122	118	115
Other toilet provisions (> min.service level)	21	21	22	23	23	23	23	24	25
<i>Minimum Service Level and Above sub-total</i>	672	686	701	725	725	725	749	774	800
Bucket toilet	5	5	4	4	4	4	3	3	2
Other toilet provisions (< min.service level)	—	—	—	—	—	—	—	—	—
No toilet provisions	10	9	8	8	8	8	7	7	7
<i>Below Minimum Service Level sub-total</i>	15	14	12	11	11	11	11	10	9
Total number of households	687	700	713	736	736	736	760	784	810
Energy:									
Electricity (at least min.service level)	483	503	523	535	535	535	549	561	579
Electricity - prepaid (min.service level)	126	132	138	149	149	149	162	175	190
<i>Minimum Service Level and Above sub-total</i>	609	635	661	685	685	685	710	737	769
Electricity (< min.service level)	—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)	—	—	—	—	—	—	—	—	—
Other energy sources	78	65	53	51	51	51	49	47	41
<i>Below Minimum Service Level sub-total</i>	78	65	53	51	51	51	49	47	41
Total number of households	687	700	713	736	736	736	760	784	810
Refuse:									
Removed at least once a week	518	555	591	630	630	630	665	697	728
<i>Minimum Service Level and Above sub-total</i>	518	555	591	630	630	630	665	697	728
Removed less frequently than once a week	11	25	39	42	42	42	45	48	51
Using communal refuse dump	14	9	4	3	3	3	2	1	1
Using own refuse dump	100	79	58	46	46	46	36	28	23
Other rubbish disposal	4	2	1	0	0	0	0	0	0
No rubbish disposal	38	29	20	15	15	15	12	9	7
<i>Below Minimum Service Level sub-total</i>	168	145	122	106	106	106	95	87	81
Total number of households	687	700	713	736	736	736	760	784	810
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	671	690	709	733	733	733	758	783	809
Sanitation (free minimum level service)	42	47	53	90	90	90	90	95	105
Electricity/other energy (50kwh per household per month)	42	47	53	90	90	90	90	95	105
Refuse (removed at least once a week)	42	47	53	90	90	90	90	95	105
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	169,092	223,560	255,240	296,755	296,755	296,755	300,168	338,256	379,080
Sanitation (free sanitation service)	4,106	5,002	6,314	10,316	10,316	10,316	12,583	14,363	17,283
Electricity/other energy (50kwh per household per month)	18,560	23,466	29,251	64,590	64,590	64,590	78,580	95,470	121,558
Refuse (removed once a week)	10,060	12,411	16,072	31,710	31,710	31,710	34,570	39,403	47,471
Total cost of FBS provided (minimum social package)	201,819	264,440	306,877	403,370	403,370	403,370	425,901	487,493	565,392
Highest level of free service provided									
Property rates (R value threshold)	10,000	10,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)	15	15	16	18	18	18	20	22	24
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	85	85	85	85	85	85	85	85	85
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	6,197	6,736	7,204	13,730	13,730	13,730	15,107	17,228	20,756
Property rates (other exemptions, reductions and rebates)	54,870	59,357	64,840	123,566	123,566	123,566	135,959	155,054	186,800
Water	197,552	258,662	294,699	371,929	371,929	371,929	382,881	432,604	492,747
Sanitation	7,998	8,508	10,317	19,686	19,686	19,686	21,845	24,936	30,006
Electricity/other energy	22,305	24,742	34,740	80,136	80,136	80,136	95,364	115,862	147,522
Refuse	10,494	11,223	14,545	28,697	28,697	28,697	31,285	35,659	42,960
Municipal Housing - rental rebates	—	—	—	—	—	—	—	—	—
Housing - top structure subsidies	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Total revenue cost of free services provided (total social package)	299,414	369,228	426,345	637,743	637,743	637,743	682,441	781,343	920,790

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 19 October 2010. Key dates applicable to the process were:

- **August 2010** – Joint strategic planning session of the Council Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2011/12 MTREF;
- **November 2010** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

- **28 January 2011** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **30 March 2011** - Tabling in Council of the draft 2011/12 IDP and 2011/12 MTREF for public consultation;
- **First two weeks in April 2011** – Public consultation;
- **21 April 2011** - Closing date for written comments;
- **29 April 2011** – finalisation of the 2011/12 IDP and 2011/12 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **5 May 2011** - Tabling of the 2011/12 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2006. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2011/12 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2011/12 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2011/12 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2011/12 MTREF:

- Municipality's growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2010/11 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2011/12 MTREF as tabled before Council on 30 March 2011 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. In addition a further development of this year's consultation process included the launch of E-based consultation. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the municipality's website, and the municipality's call centre was engaged in collecting inputs via e-mail, fax and SMS.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the

resources and the capital of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality's, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality's strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality's. The five-year programme responds to the development challenges and opportunities faced by the Municipality's by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the municipality's and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

The 2011/12 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 28 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

[illegible]

Table 29 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	Goal Code	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
Basic Services	Provision of Basic services: Water	A	64		12,681	19,293	105,415		43,657	47,590	34,337
	Electricity	B	307	–	280	280	3,037		61,170	–	280
	Waste Water Treatment: Sewerage	C	2,123	137	13,957	–			–	–	
	Eradication of backlogs in infrastructure	D	2,573	310					5,263		
	Social Services	E	–	–	1,080	150			–	–	
Municipal Institutional Development and Transformation											
Local Economic Development	Tourism	F									
Municipal Financial Viability and Management	To effectively manage the revenue and expenditure functions of the municipality	G	415	–	–	158			–	–	
Good Governance and Public Participation	Council	H		–	–	12			–	–	
		I									
		J									
		K									
		L									
		M									
		N									
		O									
		P									
		Q									
			5,482	447	27,998	19,893	108,452	–	110,090	47,590	34,617

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

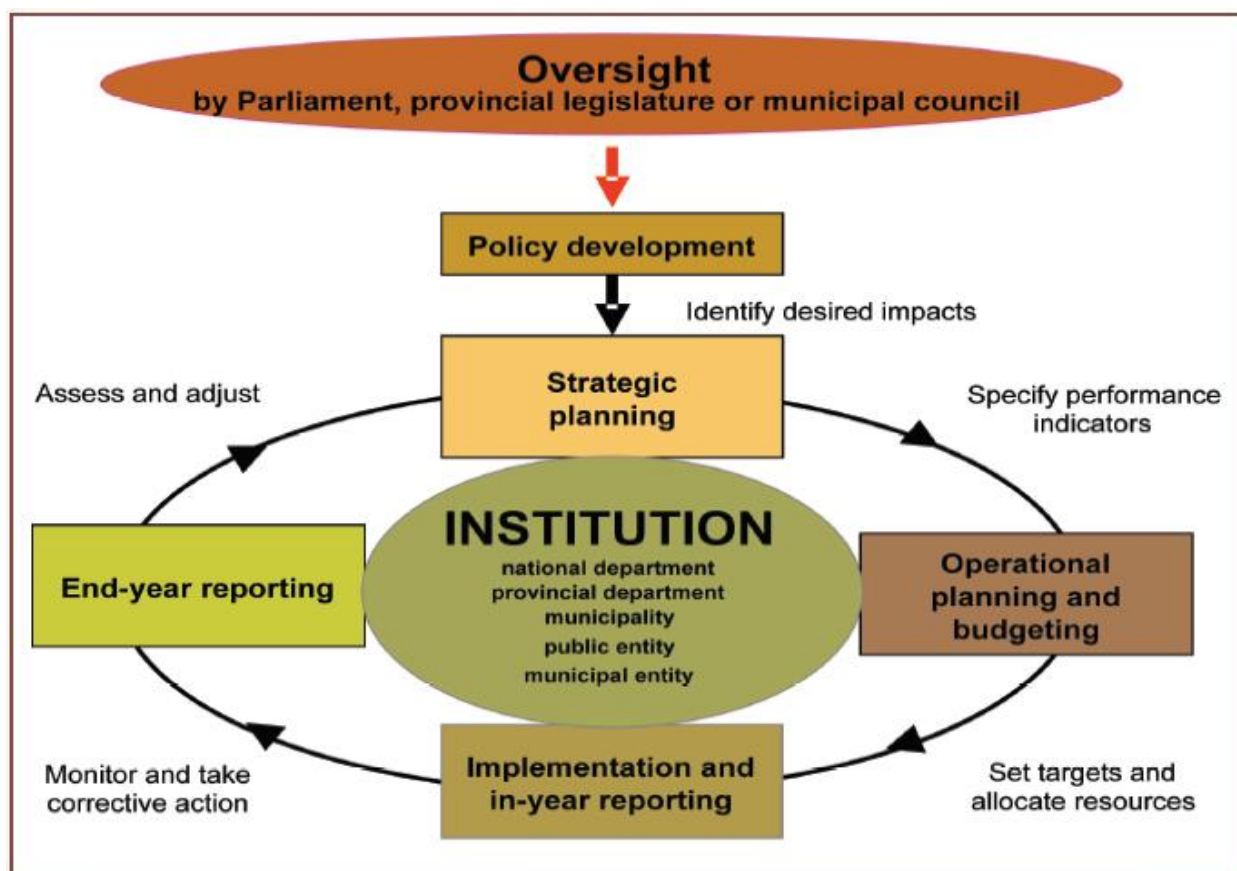


Figure 5 Planning, budgeting and reporting cycle

The performance of the Municipality's relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality's therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality's in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

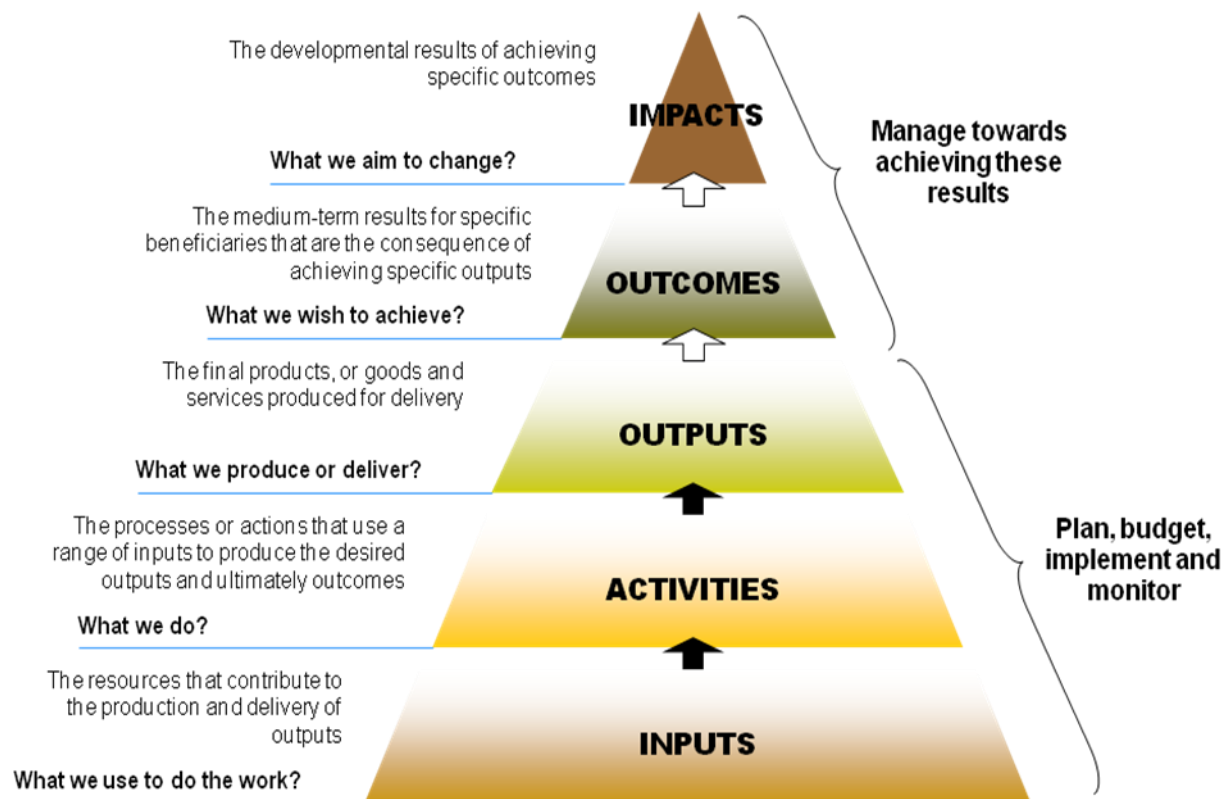


Figure 6 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 30 MBRR Table SA7 - Measurable performance objectives

The following table sets out the municipalities main performance objectives and benchmarks for the 2011/12 MTREF.

Table 31 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Borrowing Management</u>										
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	9.8%	5.6%	1.2%	0.5%	0.5%	0.5%	2.6%	1.7%	1.0%
Credit Rating										
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2.4%	2.8%	1.3%	2.4%	2.4%	2.4%	3.0%	2.8%	2.5%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>										
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	335.9%	322.0%	62.0%	41.0%	41.0%	41.0%	8.5%	6.6%	5.0%
Gearing	Long Term Borrowing/ Funds & Reserves	44.3%	30.4%	0.0%	108.0%	108.0%	108.0%	946.1%	652.0%	432.3%
<u>Liquidity</u>										
Current Ratio	Current assets/current liabilities	1.6	1.9	0.7	1.2	1.2	1.2	7.8	8.4	12.6
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.6	1.9	0.7	1.2	1.2	1.2	7.8	8.4	12.6
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.0	0.1	0.1	0.1	0.1	0.8	0.9	1.6
<u>Revenue Management</u>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		103.2%	103.4%	123.9%	123.9%	123.9%	100.3%	101.3%	98.2%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	87.4%	89.5%	20.7%	43.0%	42.3%	42.3%	40.1%	37.5%	36.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old									
<u>Creditors Management</u>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))									
<u>Funding of Provisions</u>										
Provisions not funded - %	Unfunded Provs./Total Provisions									
<u>Other Indicators</u>										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated									
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source									
Employee costs	Employee costs/(Total Revenue - capital revenue)	37.6%	40.4%	28.5%	39.2%	36.9%	36.9%	37.3%	35.1%	33.9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	41.6%	44.4%	33.1%	42.9%	0.0%	0.0%	38.3%	38.8%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	2.2%	2.7%	0.9%	2.4%	2.4%	2.4%	3.0%	2.8%	2.5%
<u>IDP regulation financial viability indicators</u>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	–	25.7	–	–	–	–	–	–	–
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	154.8%	151.5%	45.2%	78.8%	77.8%	77.8%	73.6%	68.0%	64.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.3	0.5	2.9	5.4	6.1	6.1	(0.0)	(0.0)	(0.0)

2.3.1 Performance indicators and benchmarks

2.3.1.1 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.2 Creditors Management

- The municipality's has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the municipality's, which is expected to benefit the municipality's in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

2.3.1.3 Other Indicators

- The electricity distribution losses have been managed downwards from 12 per cent in the 2010/11 financial year to 10 per cent over the MTREF. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out prepaid meters.
- The water distribution losses have been significantly reduced from 30 per cent in 2008/09 to 26 per cent in 2009/10. This has been achieved with the introduction of a water leakage report and action centre. The intention is to further rollout additional depots within the Municipality's to further leverage from the efficiency that the centre offers. It is planned to further reduce distribution losses from 22 per cent in 2011/12 to 16 per cent by 2013/14.
- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the municipality's strategy to ensure the management of its asset base.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality's. With the exception of water, only registered indigents qualify for the free basic services.

For the 2011/12 financial year 3092 registered indigents have been provided for in the budget with this figured increasing to 3692 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 6kl fee water, 50 kwh of electricity, sanitation and free waste removal equivalent to once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement)

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The Municipality's is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

The following is briefly the main challenges facing the Municipality's in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Section will embark on an in-house training programme, especially for operational personnel;

2.4 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in September 2007 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2011/12 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base.

2.4.3 Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in September 2007. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in August 2009 and was amended on 16 February 2011 in respect of both Operating and Capital Budget Fund Transfers.

2.4.6 Cash Management and Investment Policy

The municipality's Cash Management and Investment Policy were amended by Council in April 2011. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

2.4.7 Tariff Policies

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Indigent Policy;
- Credit Control and Debt Collection Policy
- Virement Policy

2.5 Overview of budget assumptions

2.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2011/12 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 37 per cent of total operating expenditure in the 2011/12 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality's engages in a number of financing arrangements to minimise its interest rate costs and risk. Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (90 per cent) of annual billings. Cash flow is assumed to be 90 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.4 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality's, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.5 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Year three is an across the board increase of 8.54 per cent.

2.5.6 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.6 Overview of budget funding

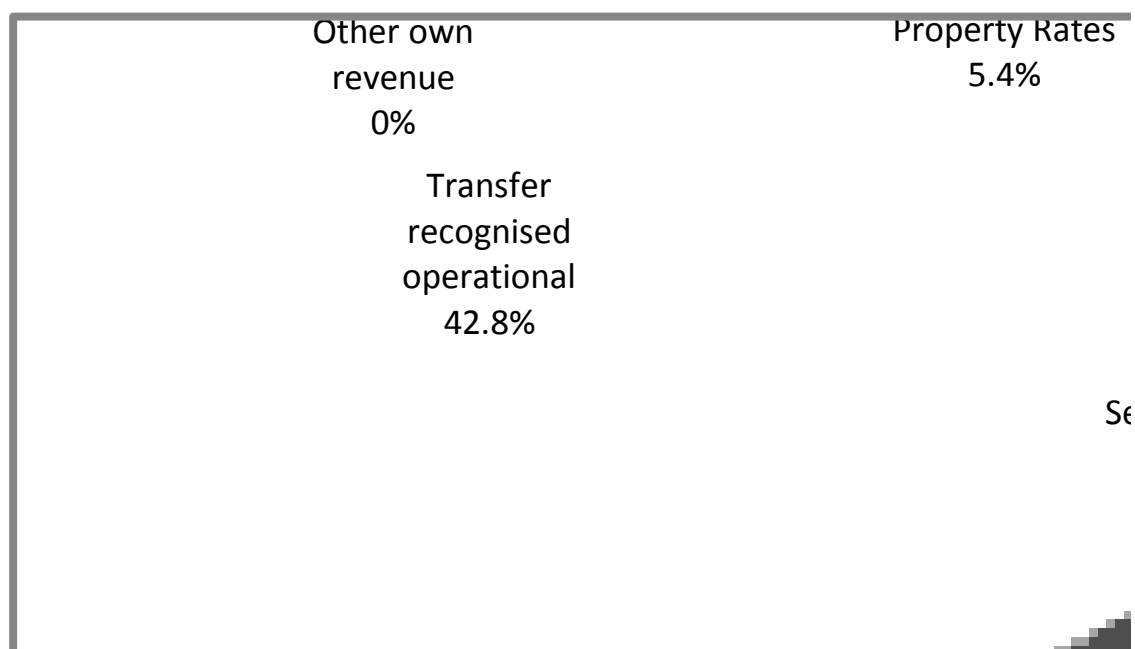
2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 32 Breakdown of the operating revenue over the medium-term

Description	2011/12 Medium Term Revenue & Expenditure Framework					
	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
R thousand						
Revenue By Source						
Property rates	3,727	5.2%	3,917	4.9%	4,116	4.7%
Property rates - penalties & collection charges		0.0%		0.0%		0.0%
Service Charges	35,452	49%	39,933	50%	45,621	52%
Interest earned - external investments	51	0.1%	12	0%	13	0.0%
Transfers recognised - operational	29,445	40.8%	32,420	40.5%	34,725	39.3%
Other revenue	3,562	5%	3,739	5%	3,952	4%
Total Revenue (excluding capital transfers and contributions)	72,237	100%	80,021	100%	88,427	100%

The following graph is a breakdown of the operational revenue per main category for the 2011/12 financial year.

**Figure 7 Breakdown of operating revenue over the 2011/12 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality's derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality's and economic development;
- Revenue management and enhancement;
- Achievement of a 90 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Revenue to be generated from property rates is R3.7 million in the 2011/12 financial year and increases to R4.1 million by 2013/14 which represents 4.7 per cent of the operating revenue base of the municipality's. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality's totalling R35.4 million for the 2011/12 financial year and increasing to R45.6 million by 2013/14. For the 2011/12 financial year services charges amount to 49 per cent of the total revenue base and grows by 50 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R29.4 million, R32.4 million and R34.7 million for each of the respective financial years of the MTREF, or 40.8, 40.5 and 39.3 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 40.8, per cent and 40 per cent for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

The tables below provide detail investment information and investment particulars by maturity.

Table 33 MBRR SA16 – Investment particulars by maturity

Investments by Maturity	Period of Investment	Type of Investment	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	Yrs/Months			Rand thousand	
Parent municipality					
ABSA	32 DAYS	32 DAYS	various	219	
STANDARD	32 DAYS	32 DAYS	various	258	
FNB	32 DAYS	32 DAYS	various	23	
Municipality sub-total				500	–
Entities					
Entities sub-total				–	–

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2011/12 medium-term capital programme:

Table 34 Sources of capital revenue over the MTREF

DESCRIPTION			2011/12 MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK					
	ADJUSTMENT BUDGET	%	BUDGET YEAR 2011/12	%	BUDGET YEAR +1 2012/13	%	BUDGET YEAR +2 2013/14	%
R thousands								
Funded by:								
National Government	9292900		11 176 750		13 589 750		14 337 400	
Provincial Government	13317000		93 650 000		34 000 000		20 280 000	
Transfer recognised - capital	22609900	98.6%	104 826 750	78.9%	47 589 750	100%	34 617 400	100%
Public contributions & donations	0	0%	0	0%	0	0%	0	0%
Borrowings			5 262 888	21.1%	0	0%		0%
Internally generated funds	320000	1.4%	0	0%		0%	0	0%
Total Capital Funding	22929900	100%	110 089 638	100%	47 589 750	100%	34 617 400	100%

The above table is graphically represented as follows for the 2011/12 financial year.

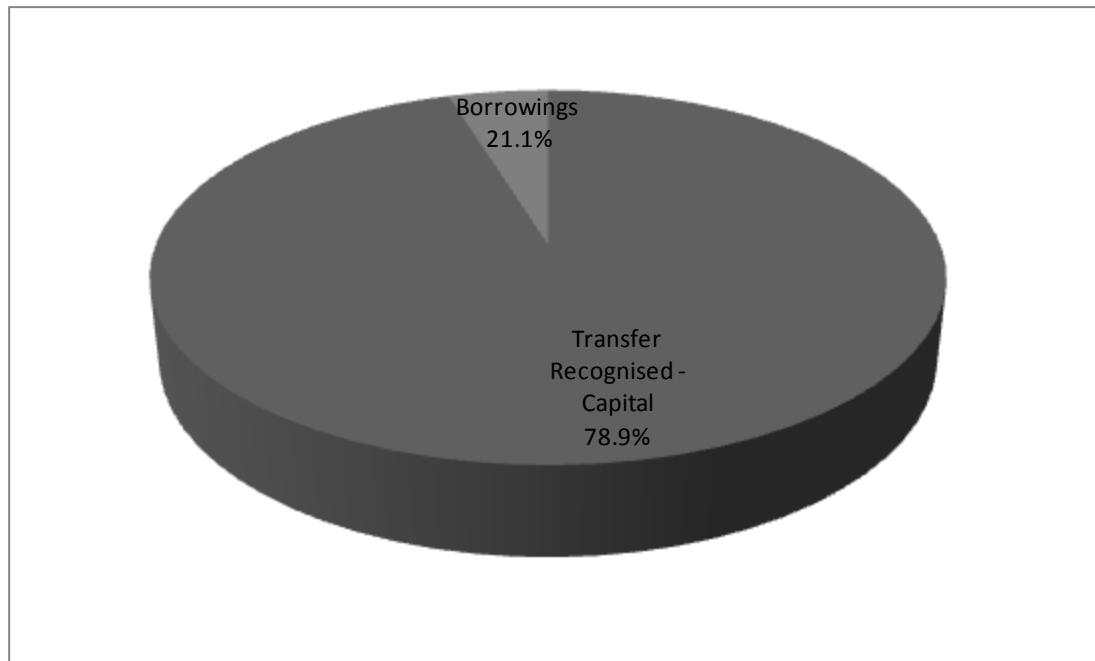


Figure 8 Sources of capital revenue for the 2011/12 financial year

Capital grants and receipts equates to 78.9 per cent of the total funding source which represents R104 826 750 for the 2011/12 financial year and steadily decrease to R 34 617 400 or 33% per cent by 2013/14. Growth relating to grant receipts is 363.6 for the 2011/12 financial year and declines to 45.4 and 33 per cent over the medium-term.

Table 35 MBRR Table SA 18 - Capital transfers and grant receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
RECEIPTS:									
Operating Transfers and Grants									
National Government:	12,641	15,042	21,240	26,076	26,076	26,076	29,466	32,306	34,119
Local Government Equitable Share									
Equitable share	11,507	14,057	18,948	23,637	23,637	23,637	26,638	29,291	30,714
Finance Management	500	250	1,000	1,200	1,200	1,200	1,450	1,500	1,750
Municipal Systems Improvement	634	735	850	750	750	750	790	800	900
Department of Water Affairs									
Municipal Infrastructure(MIG)			442	489	489	489	588	715	755
Provincial Government:	284	319	345	372	350	350	389	410	410
Health subsidy									
Library Development	284	319	345	372	350	350	389	410	410
District Municipality:	-	-	-	-	-	-	-	-	-
[insert description]									
Other grant providers:	-	-	-	-	-	-	-	-	-
INEP									
Total Operating Transfers and Grants	12,925	15,361	21,585	26,448	26,426	26,426	29,855	32,716	34,529
Capital Transfers and Grants									
National Government:	-	530	26,638	19,293	-	-	44,177	47,590	34,337
Municipal Infrastructure (MIG)		530	13,957	9,293			11,177	13,590	14,337
Water Affairs			12,681	10,000			33,000	34,000	20,000
Other capital transfers/grants [insert desc]									
Provincial Government:	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]									
District Municipality:	-	-	-	-	-	-	-	-	-
[insert description]									
Other grant providers:	-	-	280	280	-	-	61,170	-	-
INEP			280	280			61,170		
Total Capital Transfers and Grants	-	530	26,918	19,573	-	-	105,347	47,590	34,337
TOTAL RECEIPTS OF TRANSFERS & GRANTS	12,925	15,891	48,503	46,021	26,426	26,426	135,202	80,306	68,866

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and

- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 36 MBRR Table A7 - Budget cash flow statement

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	25,415	29,585	65,821	38,349	38,349	38,349	42,309	45,832	54,041
Government - operating	13,155	15,854	21,961	26,448	26,426	26,426	29,838	32,246	33,364
Government - capital	6,037	1,080	14,574	19,893	22,930	22,930	110,090	47,590	34,617
Interest			102						
Dividends									
Payments									
Suppliers and employees	(43,147)	(44,580)	(73,023)	(63,148)	(63,215)	(63,215)	(180,594)	(123,885)	(120,269)
Finance charges	(854)	(1,242)	(319)	(1,560)	(1,560)	(1,560)	(1,644)	(1,783)	(1,753)
Transfers and Grants									
NET CASH FROM/(USED) OPERATING ACTIVITIES	607	697	29,116	19,982	22,930	22,930	(0)	(0)	(0)
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE									
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables			6						
Decrease (increase) in non-current investments									
Payments									
Capital assets			(6,793)						
NET CASH FROM/(USED) INVESTING ACTIVITIES	-	-	(6,787)	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans									
Borrowing long term/refinancing									
Increase (decrease) in consumer deposits									
Payments									
Repayment of borrowing			(1,050)						
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	(1,050)	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD	607	697	21,279	19,982	22,930	22,930	(0)	(0)	(0)
Cash/cash equivalents at the year begin:	607	607	1,305					(0)	(1)
Cash/cash equivalents at the year end:	607	1,305	22,584	19,982	22,930	22,930	(0)	(1)	(1)

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 37 MBRR SA10 – Funding compliance measurement

Description	MFMA section	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Funding measures										
Cash/cash equivalents at the year end - R'000	18(1)b	607	1,305	22,584	19,982	22,930	22,930	(0)	(1)	(1)
Cash + investments at the yr end less applications - R'000	18(1)b	387	3,974	(12,298)	9,039	8,864	8,864	27,435	28,005	33,685
Cash year end/monthly employee/supplier payments	18(1)b	0.3	0.5	2.9	5.4	6.1	6.1	(0.0)	(0.0)	(0.0)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	3,202	1,345	(35,029)	19,892	22,930	22,930	110,090	47,590	34,617
Service charges rev % change - macro CPIX target exclusive	18(1)a(2)	N.A.	16.2%	19.4%	0.6%	(4.8%)	(6.0%)	3.5%	6.1%	7.1%
Cash receipts % of Ratepayer & Other revenue	18(1)a(2)	102.5%	83.2%	75.9%	75.7%	75.1%	75.1%	98.9%	96.2%	99.0%
Debt impairment expense as a % of total billable revenue	18(1)a(2)	0.0%	0.0%	127.7%	11.1%	14.2%	14.2%	9.5%	8.7%	7.8%
Capital payments % of capital expenditure	18(1)c:19	0.0%	0.0%	24.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a							0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	20.6%	(62.7%)	84.5%	0.0%	0.0%	3.6%	3.4%	6.7%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	(100.0%)	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue	18(1)a		10.9%	18.3%	2.7%	0.1%	0.0%	5.7%	5.1%	5.1%
% incr in Service charges - other	18(1)a		426.5%	(82.2%)	(33.4%)	22.6%	0.0%	(23.0%)	48.3%	(41.3%)
Total billable revenue	18(1)a	21,786	26,832	33,602	35,533	35,969	35,969	39,392	44,138	49,936
Service charges		21,739	26,557	33,304	35,493	35,931	35,931	39,349	44,093	49,889
Property rates		2,756	3,146	3,585	3,451	4,286	4,286	3,747	3,937	4,136
Service charges - electricity revenue		7,527	9,120	14,150	15,455	15,455	15,455	18,520	22,137	26,918
Service charges - water revenue		4,562	5,426	6,901	7,686	7,318	7,318	7,717	8,111	8,525
Service charges - sanitation revenue		3,736	4,295	4,621	4,831	4,761	4,761	5,077	5,336	5,608
Service charges - refuse removal		2,901	3,216	3,806	3,909	3,914	3,914	4,137	4,348	4,570
Service charges - other		257	1,353	240	160	196	196	151	224	132
Rental of facilities and equipment		47	275	298	41	38	38	43	45	47
Capital expenditure excluding capital grant funding		3,095	6,302	-	320	320	320	5,263	-	-
Cash receipts from ratepayers	18(1)a	25,415	29,585	65,821	38,349	38,349	38,349	42,309	45,832	54,041
Ratepayer & Other revenue	18(1)a	24,632	28,604	53,125	37,825	38,245	38,245	41,783	46,651	52,579
Change in consumer debtors (current and non-current)		(176)	6,940	(25,473)	15,189	991	1,000	-	-	-
Operating and Capital Grant Revenue	18(1)a	13,155	15,854	18,948	46,341	49,356	49,356	139,535	80,010	69,342
Capital expenditure - total	20(1)(vi)	5,482	6,749	27,908	19,893	22,930	22,930	110,090	47,590	34,617
Capital expenditure - renewal	20(1)(vi)	-	-	-	-	-	-	-	-	-
Supporting benchmarks										
Growth guideline maximum		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPIX guideline		4.3%	3.9%	4.6%	5.2%	5.2%	5.2%	5.1%	4.3%	4.5%
DoRA operating grants total MFY										
DoRA capital grants total MFY										
Provincial operating grants										
Provincial capital grants										
District Municipality grants										
Total gazetted/advised national, provincial and district grants								-	-	-
Average annual collection rate (arrears inclusive)										
DoRA operating										
List operating grants										
DoRA capital										
List capital grants										
Trend										
Change in consumer debtors (current and non-current)		(176)	6,940	(25,473)	(15,189)	991	1,000	-	-	-
Total Operating Revenue		38,570	45,439	73,286	65,146	66,201	66,201	72,237	80,020	88,427
Total Operating Expenditure		35,367	44,094	108,314	65,146	66,201	66,201	72,237	80,020	88,427
Operating Performance Surplus/(Deficit)		3,202	1,345	(35,029)	(0)	(0)	(0)	0	(0)	(0)
Cash and Cash Equivalents (30 June 2012)										
Revenue										
% Increase in Total Operating Revenue			17.8%	61.3%	(11.1%)	1.6%	0.0%	9.1%	10.8%	10.5%
% Increase in Property Rates Revenue			14.2%	14.0%	(4.3%)	5.8%	0.0%	2.6%	5.1%	5.1%
% Increase in Electricity Revenue			21.2%	55.1%	9.2%	0.0%	0.0%	19.8%	19.5%	21.6%
% Increase in Property Rates & Services Charges			22.2%	25.4%	6.6%	1.2%	0.0%	9.5%	12.1%	13.1%
Expenditure										
% Increase in Total Operating Expenditure			24.7%	145.6%	(39.9%)	1.6%	0.0%	9.1%	10.8%	10.5%
% Increase in Employee Costs			26.4%	13.8%	22.4%	(4.5%)	0.0%	10.2%	4.2%	6.8%
% Increase in Electricity Bulk Purchases			34.2%	17.7%	25.2%	0.0%	0.0%	26.7%	25.9%	25.9%
Average Cost Per Budgeted Employee Position (Remuneration)			123529.2597	141163.9022				142406.418		
Average Cost Per Councilor (Remuneration)			211854.958	238694				284608.7		
R&M % of PPE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset Renewal and R&M as a % of PPE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Impairment % of Total Billable Revenue	0.0%	0.0%	127.7%	11.1%	14.2%	14.2%	14.2%	9.5%	8.7%	7.8%
Capital Revenue										
Internally Funded & Other (R'000)		150	-	-	320	320	320	-	-	-
Borrowing (R'000)		579	-	-	-	-	-	5,263	-	-
Grant Funding and Other (R'000)		2,387	447	27,908	19,573	22,610	22,610	104,827	47,590	34,617
Internally Generated funds % of Non Grant Funding		20.6%	0.0%	0.0%	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%
Borrowing % of Non Grant Funding		79.4%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Grant Funding % of Total Funding		76.6%	100.0%	100.0%	98.4%	98.6%	98.6%	95.2%	100.0%	100.0%
Capital Expenditure										
Total Capital Programme (R'000)		-	-	-	-	-	-	-	-	-
Asset Renewal		-	-	-	-	-	-	-	-	-
Asset Renewal % of Total Capital Expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash										
Cash Receipts % of Rate Payer & Other		102.5%	83.2%	75.9%	75.7%	75.1%	75.1%	98.9%	96.2%	99.0%
Cash Coverage Ratio		0	0	0	0	0	0	(0)	(0)	(0)
Borrowing										
Borrowing to Asset Ratio		9.8%	5.6%	1.2%	0.5%	0.5%	0.5%	2.6%	1.7%	1.0%
Credit Rating (2009/10)								0		
Capital Charges to Operating		2.4%	2.8%	1.3%	2.4%	2.4%	2.4%	3.0%	2.8%	2.5%
Borrowing Receipts % of Capital Expenditure		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves										
Surplus/(Deficit)		387	3,974	(12,298)	9,039	8,864	8,864	27,435	28,005	33,685
Free Services										
Free Basic Services as a % of Equitable Share		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)		2.3%	2.3%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
High Level Outcome of Funding Compliance										
Total Operating Revenue		38,570	45,439	73,286	65,146	66,201	66,201	72,237	80,020	88,427
Total Operating Expenditure		35,367	44,094	108,314	65,146	66,201	66,201	72,237	80,020	88,427
Surplus/(Deficit) Budgeted Operating Statement		3,202	1,345	(35,029)	(0)	(0)	(0)	0	(0)	(0)
Surplus/(Deficit) Considering Reserves and Cash Backing		3,590	5,319	(47,327)	9,039	8,864	8,864	27,435	28,005	33,685
MTREF Funded (1) / Unfunded (0)		1	1	0	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗		✓	✓	✗	✓	✓	✓	✓	✓	✓

2.6.5.1 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.2 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.5.3 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

2.6.5.4 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

2.6.5.5 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.5.6 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to comply with the legislative requirement that debtors be paid within 30 days.

2.6.5.7 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

2.6.5.8 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The municipality's has budgeted for all transfers.

2.6.5.9 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the municipality's policy of settling debtors accounts within 30 days.

2.6.5.10 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.6.5.11 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 38 MBRR SA19 - Expenditure on transfers and grant programmes

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	12,400	15,922	21,240	26,077	26,076	-	29,466	32,306	34,119
Local Government Equitable Share									
Equitable share	11,507	14,550	18,948	23,637	23,637		26,638	29,291	30,714
Finance Management	191	637	1,000	1,200	1,200		1,450	1,500	1,750
Municipal Systems Improvement	702	735	850	750	750		790	800	900
Department of Water Affairs									
Municipal Infrastructure(MIG)			442	489	489		588	715	755
Provincial Government:	284	319	345	372	350	-	389	-	-
Health subsidy									
Library Development	284	319	345	372	350		389		
District Municipality:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>									
Other grant providers:	-	-	280	280	280	-	61,170	-	280
INEP			280	280	280		61,170	-	280
Total operating expenditure of Transfers and Grants:	12,684	16,241	21,865	26,729	26,706	-	91,025	32,306	34,399
Capital expenditure of Transfers and Grants									
National Government:	3,183	-	25,882	19,293	19,293	-	44,177	47,590	34,337
Municipal Infrastructure (MIG)	3,183		13,201	9,293	9,293		11,177	13,590	14,337
Water Affairs			12,681	10,000	10,000		33,000	34,000	20,000
Other capital transfers/grants [insert desc]									
Provincial Government:	-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]									
District Municipality:	-	-	-	-	-	-	-	-	-
<i>[insert description]</i>									
Other grant providers:	-	-	280	280	280	-	61,170	-	280
INEP			280	280	280		61,170	-	280
Total capital expenditure of Transfers and Grants	3,183	-	26,162	19,573	19,573	-	105,347	47,590	34,617
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	15,867	16,241	48,027	46,301	46,279	-	196,372	79,896	69,016

Table 39 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

[illegible]

2.8 Councillor and employee benefits

Table 40 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Salary	1,477	1,593	2,269	2,164	1,897	1,897	2,261	2,377	2,498
Pension Contributions									
Medical Aid Contributions									
Motor vehicle allowance									
Cell phone allowance	95	105	110	122	122	122	130	136	143
Housing allowance									
Other benefits or allowances	219	152	104	101	439	439	455	478	492
In-kind benefits									
Sub Total - Councillors	1,791	1,850	2,483	2,386	2,457	2,457	2,846	2,991	3,133
% increase		3.3%	34.2%	(3.9%)	3.0%	-	15.8%	5.1%	4.7%
Senior Managers of the Municipality									
Salary	1,540	2,369	3,087	3,356	3,356	3,356	3,584	3,809	4,059
Pension Contributions									
Medical Aid Contributions									
Motor vehicle allowance	401								
Cell phone allowance	12								
Housing allowance	36								
Performance Bonus			270	261	261	261	282	297	316
Other benefits or allowances									
In-kind benefits									
Sub Total - Senior Managers of Municipality	1,989	2,369	3,357	3,617	3,617	3,617	3,867	4,106	4,375
% increase		19.1%	41.7%	7.8%	-	-	6.9%	6.2%	6.5%
Other Municipal Staff									
Basic Salaries and Wages	8,278	10,309	13,130	16,313	14,650	14,650	16,354	17,154	18,333
Pension Contributions	1,464	1,825	1,758	2,525	2,612	2,612	2,789	2,963	3,183
Medical Aid Contributions	395	384	439	531	539	539	571	610	657
Motor vehicle allowance	412	1,029	837	168	168	168	368	390	417
Cell phone allowance									
Housing allowance	39	80	74	19	30	30	21	22	24
Overtime	741	829	590	584	619	619	623	670	714
Performance Bonus	631	935	1,168	1,596	1,596	1,596	1,704	1,795	1,916
Other benefits or allowances	308	580	422	197	582	582	618	343	339
In-kind benefits									
Sub Total - Other Municipal Staff	12,268	15,971	18,418	21,933	20,796	20,796	23,048	23,947	25,583
% increase		30.2%	15.3%	19.1%	(5.2%)	-	10.8%	3.9%	6.8%
Total Parent Municipality	16,047	20,190	24,258	27,936	26,870	26,870	29,761	31,044	33,091
		25.8%	20.1%	15.2%	(3.8%)	-	10.8%	4.3%	6.6%
Board Members of Entities									
Salary									
Pension Contributions									
Medical Aid Contributions									
Motor vehicle allowance									
Cell phone allowances									
Housing allowance									
Board Fees									
Other benefits and allowances									
In-kind benefits									
Sub Total - Board Members of Entities	-	-	-	-	-	-	-	-	-
% increase		-	-	-	-	-	-	-	-
Senior Managers of Entities									
Salary									
Pension Contributions									
Medical Aid Contributions									
Motor vehicle allowance									
Cell phone allowances									
Housing allowance									
Performance Bonus									
Other benefits or allowances									
In-kind benefits									
Sub Total - Senior Managers of Entities	-	-	-	-	-	-	-	-	-
% increase		-	-	-	-	-	-	-	-
Other Staff of Entities									
Basic Salaries and Wages									
Pension Contributions									
Medical Aid Contributions									
Motor vehicle allowance									
Cell phone allowances									
Housing allowance									
Overtime									
Performance Bonus									
Other benefits or allowances									
In-kind benefits									
Sub Total - Other Staff of Entities	-	-	-	-	-	-	-	-	-
% increase		-	-	-	-	-	-	-	-
Total Municipal Entities	-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS	16,047	20,190	24,258	27,936	26,870	26,870	29,761	31,044	33,091
% increase		25.8%	20.1%	15.2%	(3.8%)	-	10.8%	4.3%	6.6%
TOTAL MANAGERS AND STAFF	14,257	18,340	21,775	25,550	24,413	24,413	26,915	28,053	29,958

Table 41 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	No. 10	Salary	Contrib.	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum			1.			2.	3.
<u>Councillors</u>							
Speaker		489,109		217,000			706,109
Chief Whip							-
Executive Mayor							-
Deputy Executive Mayor							-
Executive Committee							-
Total for all other councillors		1,772,207		368,805			2,141,012
Total Councillors	-	2,261,316	-	585,805			2,847,121
<u>Senior Managers of the Municipality</u>							
Municipal Manager (MM)		880,247			68,659		948,906
Chief Finance Officer		711,098			55,466		766,564
Deputy City Manager - Governance							-
Deputy City Manager - Procurement & Infrastructure							-
Deputy City Manager - Health, Safety & Social Issues							-
Deputy City Manager - Corporate & Human Resources							-
<i>List of each official with packages >= senior manager</i>							
Manager Technical Services		711,098			55,466		766,564
Manager Community Services		658,009			51,324		709,333
Manager Corporate Services		623,509			51,324		674,833
							-
							-
							-
							-
							-
							-
							-
							-
							-
Total Senior Managers of the Municipality	-	3,583,961	-	-	282,239	-	3,866,200
<u>A Heading for Each Entity</u>							
List each member of board by designation							
							-
							-
							-
							-
							-
							-
							-
							-
							-
							-
							-
							-
							-
							-
							-
Total for municipal entities	-	-	-	-	-	-	-
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	-	5,845,277	-	585,805	282,239	-	6,713,321

Table 42 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers Number	2009/10			Current Year 2010/11			Budget Year 2011/12		
	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	10		10	10		10	10		10
Board Members of municipal entities									
Municipal employees									
Municipal Manager and Senior Managers	4		4	5		5	5		5
Other Managers	2	1	1	2	1	1	2	1	1
Professionals	6	6	–	7	7	–	7	7	–
<i>Finance</i>	3	3		4	4	–	4	4	–
<i>Spatial/town planning</i>	1	1		1	1		1	1	
<i>Information Technology</i>									
<i>Roads</i>									
<i>Electricity</i>	2	2		2	2		2	2	
<i>Water</i>									
<i>Sanitation</i>									
<i>Refuse</i>									
<i>Other</i>									
Technicians	–	–	–	3	–	3	3	–	3
<i>Finance</i>									
<i>Spatial/town planning</i>									
<i>Information Technology</i>									
<i>Roads</i>				1		1	1		1
<i>Electricity</i>				2		2	2		2
<i>Water</i>									
<i>Sanitation</i>									
<i>Refuse</i>									
<i>Other</i>	13	13		15	15		15	15	
Clerks (Clerical and administrative)	10	10		11	11		11	11	
Service and sales workers	23	13	10	25	15	10	25	15	10
Skilled agricultural and fishery workers									
Craft and related trades	13	12	1	13	12	1	13	12	1
Plant and Machine Operators	10	10		10	10		12	12	
Elementary Occupations	88	88		90	90		96	96	
TOTAL PERSONNEL NUMBERS	179	153	26	191	161	30	199	169	30
% increase				6.7%	5.2%	15.4%	4.2%	5.0%	–
Total municipal employees headcount									
Finance personnel headcount	24	24		27	27		27	27	
Human Resources personnel headcount	2	2		3	3		3	3	

2.9 Monthly targets for revenue, expenditure and cash flow

Table 43 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source															
Property rates	311	311	311	311	311	311	311	311	311	311	311	310	3,727	3,917	4,116
Property rates - penalties & collection charges	2	2	2	2	2	2	2	2	2	2	2	2	20	20	20
Service charges - electricity revenue	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	1,543	18,520	22,137	26,918
Service charges - water revenue	643	643	643	643	643	643	643	643	643	643	643	643	7,717	8,111	8,525
Service charges - sanitation revenue	423	423	423	423	423	423	423	423	423	423	423	423	5,077	5,336	5,608
Service charges - refuse revenue	345	345	345	345	345	345	345	345	345	345	345	345	4,137	4,348	4,570
Service charges - other	13	13	13	13	13	13	13	13	13	13	13	13	151	224	132
Rental of facilities and equipment	4	4	4	4	4	4	4	4	4	4	4	3	43	45	47
Interest earned - external investments	4	4	4	4	4	4	4	4	4	4	4	4	51	12	13
Interest earned - outstanding debtors	80	80	80	80	80	80	80	80	80	80	80	79	958	937	1,111
Dividends received												-	-	-	-
Fines	176	176	176	176	176	176	176	176	176	176	176	176	2,109	2,217	2,331
Licences and permits	24	24	24	24	24	24	24	24	24	24	24	23	282	296	311
Agency services												-	-	-	-
Transfers recognised - operational	13,096		522		8,690				6,550			588	29,445	32,420	34,725
Other revenue												-	-	-	-
Gains on disposal of PPE												-	-	-	-
Total Revenue (excluding capital transfers and contri	16,662	3,566	4,088	3,566	12,256	3,566	3,566	3,566	10,116	3,566	3,566	4,154	72,237	80,020	88,427
Expenditure By Type															
Employee related costs	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	26,915	28,053	29,958
Remuneration of councillors	237	237	237	237	237	237	237	237	237	237	237	237	2,846	2,991	3,133
Debt impairment												3,731	3,731	3,825	3,884
Depreciation & asset impairment												-	-	-	-
Finance charges	184	184	184	184	184	184	184	184	184	184	184	183	2,202	2,228	2,253
Bulk purchases	1,117	1,117	1,117	1,117	1,117	1,117	1,117	1,117	1,117	1,117	1,117	1,116	13,398	16,818	21,119
Other materials												-	-	-	-
Contracted services	50	50	50	50	50	50	50	50	50	50	50	50	602	526	552
Transfers and grants												-	-	-	-
Other expenditure	1,879	1,879	1,879	1,879	1,879	1,879	1,879	1,879	1,879	1,879	1,879	1,878	22,543	25,579	27,527
Loss on disposal of PPE												-	-	-	-
Total Expenditure	5,709	5,709	5,709	5,709	5,709	5,709	5,709	5,709	5,709	5,709	5,709	9,439	72,237	80,020	88,427
Surplus/(Deficit)	10,953	(2,143)	(1,621)	(2,143)	6,547	(2,143)	(2,143)	(2,143)	4,407	(2,143)	(2,143)	(5,286)	0	(0)	(0)
Transfers recognised - capital	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	110,090	47,590	34,617
Contributions recognised - capital												-	-	-	-
Contributed assets												-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	20,127	7,031	7,553	7,031	15,721	7,031	7,031	7,031	13,581	7,031	7,031	3,888	110,090	47,590	34,617
Taxation												-	-	-	-
Attributable to minorities												-	-	-	-
Share of surplus/ (deficit) of associate												-	-	-	-
Surplus/(Deficit)	20,127	7,031	7,553	7,031	15,721	7,031	7,031	7,031	13,581	7,031	7,031	3,888	110,090	47,590	34,617

Table 44 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand															
Revenue by Vote															
Vote1 - Executive & Council	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	26,095	28,835	30,714
Vote2 - Finance & Administration	516	516	516	516	516	516	516	516	516	516	516	516	6,194	6,408	6,967
Vote3 - Community Services	747	747	747	747	747	747	747	747	747	747	747	747	8,960	7,607	8,027
Vote4 - Technical Services	11,757	11,757	11,757	11,757	11,757	11,757	11,757	11,757	11,757	11,757	11,757	11,756	141,078	84,759	77,337
Example 5 - Vote5												-	-	-	-
Example 6 - Vote6												-	-	-	-
Example 7 - Vote7												-	-	-	-
Example 8 - Vote8												-	-	-	-
Example 9 - Vote9												-	-	-	-
Example 10 - Vote10												-	-	-	-
Example 11 - Vote11												-	-	-	-
Example 12 - Vote12												-	-	-	-
Example 13 - Vote13												-	-	-	-
Example 14 - Vote14												-	-	-	-
Example 15 - Vote15												-	-	-	-
Total Revenue by Vote	15,194	15,194	15,194	15,194	15,194	15,194	15,194	15,194	15,194	15,194	15,194	15,194	182,327	127,610	123,045
Expenditure by Vote to be appropriated															
Vote1 - Executive & Council	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	14,076	16,193	17,091
Vote2 - Finance & Administration	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	1,163	13,952	14,599	15,767
Vote3 - Community Services	775	775	775	775	775	775	775	775	775	775	775	775	9,300	9,526	10,097
Vote4 - Technical Services	2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	2,909	34,909	39,702	45,473
Example 5 - Vote5												-	-	-	-
Example 6 - Vote6												-	-	-	-
Example 7 - Vote7												-	-	-	-
Example 8 - Vote8												-	-	-	-
Example 9 - Vote9												-	-	-	-
Example 10 - Vote10												-	-	-	-
Example 11 - Vote11												-	-	-	-
Example 12 - Vote12												-	-	-	-
Example 13 - Vote13												-	-	-	-
Example 14 - Vote14												-	-	-	-
Example 15 - Vote15												-	-	-	-
Total Expenditure by Vote	6,020	6,020	6,020	6,020	6,020	6,020	6,020	6,020	6,020	6,020	6,020	6,020	72,237	80,020	88,427
Surplus/(Deficit) before assoc.	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	110,090	47,590	34,617
Taxation												-	-	-	-
Attributable to minorities												-	-	-	-
Share of surplus/ (deficit) of associate												-	-	-	-
Surplus/(Deficit)	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	110,090	47,590	34,617

Table 45 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue - Standard															
Governance and administration	2,683	2,683	2,683	2,683	2,683	2,683	2,683	2,683	2,683	2,683	2,683	2,683	32,191	35,140	37,573
Executive and council	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	2,175	26,095	28,835	30,714
Budget and treasury office	196	196	196	196	196	196	196	196	196	196	196	196	2,348	2,367	2,721
Corporate services	312	312	312	312	312	312	312	312	312	312	312	312	3,748	3,938	4,138
Community and public safety	241	241	241	241	241	241	241	241	241	241	241	241	3,023	3,199	3,393
Community and social services	42	42	42	42	42	42	42	42	42	42	42	175	639	693	758
Sport and recreation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public safety	199	199	199	199	199	199	199	199	199	199	199	199	2,384	2,505	2,635
Housing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Economic and environmental services	36	36	36	36	36	36	36	36	36	36	36	36	435	36	38
Planning and development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Road transport	36	36	36	36	36	36	36	36	36	36	36	36	435	36	38
Environmental protection	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Trading services	12,223	12,223	12,223	12,223	12,223	12,223	12,223	12,223	12,223	12,223	12,223	12,223	146,678	89,234	82,041
Electricity	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	6,666	79,991	22,454	27,531
Water	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	4,452	53,419	56,770	43,989
Waste water management	603	603	603	603	603	603	603	603	603	603	603	603	7,232	5,499	5,779
Waste management	503	503	503	503	503	503	503	503	503	503	503	503	6,035	4,512	4,742
Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Revenue - Standard	15,183	15,183	15,183	15,183	15,183	15,183	15,183	15,183	15,183	15,183	15,183	15,316	182,327	127,610	123,045
Expenditure - Standard															
Governance and administration	2,233	2,233	2,233	2,233	2,233	2,233	2,233	2,233	2,233	2,233	2,233	2,233	26,795	29,463	31,420
Executive and council	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	1,173	14,076	16,193	17,091
Budget and treasury office	731	731	731	731	731	731	731	731	731	731	731	731	8,768	9,095	9,873
Corporate services	329	329	329	329	329	329	329	329	329	329	329	329	3,952	4,175	4,455
Community and public safety	486	486	486	486	486	486	486	486	486	486	486	619	5,962	6,446	6,982
Community and social services	230	230	230	230	230	230	230	230	230	230	230	363	2,896	3,129	3,396
Sport and recreation	79	79	79	79	79	79	79	79	79	79	79	79	951	1,022	1,108
Public safety	143	143	143	143	143	143	143	143	143	143	143	143	1,715	1,852	2,000
Housing	33	33	33	33	33	33	33	33	33	33	33	33	400	443	477
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Economic and environmental services	564	564	564	564	564	564	564	564	564	564	564	564	6,764	7,292	7,863
Planning and development	27	27	27	27	27	27	27	27	27	27	27	27	324	349	375
Road transport	537	537	537	537	537	537	537	537	537	537	537	537	6,439	6,944	7,488
Environmental protection	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Trading services	2,726	2,726	2,726	2,726	2,726	2,726	2,726	2,726	2,726	2,726	2,726	2,726	32,716	36,818	42,162
Electricity	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	16,204	19,810	24,309
Water	674	674	674	674	674	674	674	674	674	674	674	674	8,088	8,622	9,198
Waste water management	348	348	348	348	348	348	348	348	348	348	348	348	4,178	4,326	4,478
Waste management	354	354	354	354	354	354	354	354	354	354	354	354	4,247	4,060	4,177
Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Expenditure - Standard	6,009	6,009	6,009	6,009	6,009	6,009	6,009	6,009	6,009	6,009	6,009	6,142	72,237	80,020	88,427
Surplus/(Deficit) before assoc.	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	110,090	47,590	34,617
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit)	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	110,090	47,590	34,617

Table 46 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description R thousand	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Multi-year expenditure to be appropriated															
Vote1 - Executive & Council												-	-	-	-
Vote2 - Finance & Administration												-	-	-	-
Vote3 - Community Services	145	145	145	145	145	145	145	145	145	145	145	145	1,743	-	-
Vote4 - Technical Services	9,029	9,029	9,029	9,029	9,029	9,029	9,029	9,029	9,029	9,029	9,029	9,029	108,347	47,590	34,617
Example 5 - Vote5												-	-	-	-
Example 6 - Vote6												-	-	-	-
Example 7 - Vote7												-	-	-	-
Example 8 - Vote8												-	-	-	-
Example 9 - Vote9												-	-	-	-
Example 10 - Vote10												-	-	-	-
Example 11 - Vote11												-	-	-	-
Example 12 - Vote12												-	-	-	-
Example 13 - Vote13												-	-	-	-
Example 14 - Vote14												-	-	-	-
Example 15 - Vote15												-	-	-	-
Capital multi-year expenditure sub-total	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	110,090	47,590	34,617
Single-year expenditure to be appropriated															
Vote1 - Executive & Council												-	-	-	-
Vote2 - Finance & Administration												-	-	-	-
Vote3 - Community Services												-	-	-	-
Vote4 - Technical Services												-	-	-	-
Example 5 - Vote5												-	-	-	-
Example 6 - Vote6												-	-	-	-
Example 7 - Vote7												-	-	-	-
Example 8 - Vote8												-	-	-	-
Example 9 - Vote9												-	-	-	-
Example 10 - Vote10												-	-	-	-
Example 11 - Vote11												-	-	-	-
Example 12 - Vote12												-	-	-	-
Example 13 - Vote13												-	-	-	-
Example 14 - Vote14												-	-	-	-
Example 15 - Vote15												-	-	-	-
Capital single-year expenditure sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	9,174	110,090	47,590	34,617

2.10 Annual budgets and SDBIPs – internal departments

2.10.1 Water Services Department – Vote 14

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

Table 47 Water Services Department - operating revenue by source, expenditure by type and total capital expenditure

Description R thousand	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue by source						
Service charges - water revenue	7,686	7,318	7,318	7,717	8,111	8,525
Service charges - other	5	5	5	6	6	6
Interest earned - outstanding debtors	315	568	568	331	348	366
Transfers recognised - operational	489	489	489	588	715	755
Total Revenue (excluding capital transfers and contributions)	8,496	8,381	8,381	8,642	9,180	9,651
Expenditure By Type						
Employee related costs	2,439	2,344	2,344	2,499	2,699	2,914
Remuneration of councillors						
Debt impairment	1,384	1,636	1,636	1,206	1,221	1,237
Depreciation & asset impairment	920	920	920	966	1,043	1,127
Finance charges	201	201	201	328	324	319
Bulk purchases	267	267	267	281	303	328
Other materials	291	291	291	306	330	357
Contracted services						
Transfers and grants						
Other expenditure	2,382	2,382	2,382	2,501	2,701	2,917
Loss on disposal of PPE						
Total Expenditure	7,884	8,042	8,042	8,088	8,622	9,198
Surplus/(Deficit)	612	339	339	554	558	453
Transfers recognised - capital	19,293	19,293	19,293	44,777	47,590	34,337
Contributions recognised - capital						
Contributed assets						
Surplus/(Deficit) after capital transfers & contributions	19,905	19,293	19,632	45,331	48,148	34,790

2.11 Contracts having future budgetary implications

In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

The following three tables present details of the municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 48 MBRR SA 34a - Capital expenditure on new assets by asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure	2,123	-	26,918	19,573	22,610	22,610	107,947	47,590	34,617
Infrastructure - Road transport	-	-	-	-	-	-	-	-	-
Roads, Pavements & Bridges									
Storm water									
Infrastructure - Electricity	2,123	-	280	280	3,317	3,317	61,170	-	280
Generation									
Transmission & Reticulation	2,123	-	280	280	3,317	3,317	61,170		280
Street Lighting									
Infrastructure - Water	-	-	12,681	19,293	19,293	19,293	44,777	47,590	34,337
Dams & Reservoirs									
Water purification									
Reticulation			12,681	19,293	19,293	19,293	44,777	47,590	34,337
Infrastructure - Sanitation	-	-	13,957	-	-	-	2,000	-	-
Reticulation									
Sewerage purification			13,957	-	-	-	2,000		
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Waste Management									
Transportation									
Gas									
Other									
Community	248	310	1,080	150	150	150	-	-	-
Parks & gardens									
Sportsfields & stadia			1,080						
Swimming pools									
Community halls									
Libraries		310							
Recreational facilities									
Fire, safety & emergency									
Security and policing									
Buses									
Clinics									
Museums & Art Galleries									
Cemeteries				150	150	150			
Social rental housing									
Other	248								
Heritage assets	-	-	-	-	-	-	-	-	-
Buildings									
Other									
Investment properties	-	-	-	-	-	-	-	-	-
Housing development									
Other									
Other assets	3,112	137	-	170	170	170	400	-	-
General vehicles	2,945	137							
Specialised vehicles									
Plant & equipment							400		
Computers - hardware/equipment	150			110	110	110			
Furniture and other office equipment	17			60	60	60			
Abattoirs									
Markets									
Civic Land and Buildings									
Other Buildings									
Other Land									
Surplus Assets - (Investment or Inventory)									
Other									
Agricultural assets	-	-	-	-	-	-	-	-	-
List sub-class									
Biological assets	-	-	-	-	-	-	-	-	-
List sub-class									
Intangibles	-	-	-	-	-	-	-	-	-
Computers - software & programming									
Other (list sub-class)									
Total Capital Expenditure on new assets	5,482	447	27,998	19,893	22,930	22,930	108,347	47,590	34,617
Specialised vehicles	2,123	-	-	-	-	-	1,743	-	-
Refuse	2,123						1,743		
Fire									
Conservancy									
Ambulances									

Table 49 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	160	164	610	1,325	1,222	1,222	1,333	1,439	1,544
Infrastructure - Road transport	160	164	390	558	443	443	515	557	593
Roads, Pavements & Bridges	10	5	350	368	253	253	265	287	302
Storm water	150	159	40	190	190	190	250	270	292
Infrastructure - Electricity	-	-	-	478	478	478	502	542	586
Generation				58	58	58	61	66	71
Transmission & Reticulation				368	368	368	386	417	451
Street Lighting				53	53	53	55	60	64
Infrastructure - Water	-	-	220	260	260	260	273	295	318
Dams & Reservoirs									
Water purification			70	110	50	50	53	57	61
Reticulation			150	150	210	210	221	238	257
Infrastructure - Sanitation	-	-	-	29	41	41	43	45	47
Reticulation				18	30	30	32	33	35
Sewerage purification				11	11	11	11	12	12
Infrastructure - Other	-	-	-	-	-	-	-	-	-
Waste Management									
Transportation									
Gas									
Other									
Community	-	-	96	186	254	254	267	288	311
Parks & gardens				64	64	64	67	72	78
Sportsfields & stadia									
Swimming pools									
Community halls			82	102	152	152	160	172	186
Libraries				5	5	5	5	6	6
Recreational facilities									
Fire, safety & emergency									
Security and policing									
Buses									
Clinics									
Museums & Art Galleries			4	3	21	21	22	24	26
Cemeteries			10	12	12	12	13	14	15
Social rental housing									
Other									
Heritage assets	-	-	-	-	-	-	-	-	-
Buildings									
Other									
Investment properties	-	-	-	-	-	-	-	-	-
Housing development									
Other									
Other assets	223	192	344	594	677	677	726	775	831
General vehicles	191	111	194	391	462	462	509	545	584
Specialised vehicles									
Plant & equipment		21	50	122	120	120	126	136	146
Computers - hardware/equipment		30	57	32	32	32	33	33	36
Furniture and other office equipment	22	19	31	16	21	21	22	23	25
Abattoirs									
Markets									
Civic Land and Buildings									
Other Buildings	10	10	12	34	43	43	35	38	41
Other Land									
Surplus Assets - (Investment or Inventory)									
Other									
Agricultural assets	-	-	-	-	-	-	-	-	-
List sub-class									
Biological assets	-	-	-	-	-	-	-	-	-
List sub-class									
Intangibles	-	-	-	-	-	-	-	-	-
Computers - software & programming									
Other (list sub-class)									
Total Repairs and Maintenance Expenditure	383	356	1,050	2,105	2,152	2,152	2,326	2,501	2,686
Specialised vehicles	-	-	-	-	-	-	-	-	-
Refuse									
Fire									
Conservancy									
Ambulances									

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the municipality's website.
2. Internship programme
The Municipality's is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2010/11 MTREF in May 2010 directly aligned and informed by the 2011/12 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Other supporting documents

Table 50 MBRR Table SA1 - Supporting detail to budgeted financial

Description	Ref	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		2,756	3,146		3,431	3,631	3,631	3,631	3,727	3,917	4,116
less Revenue Foregone											
Net Property Rates		2,756	3,146	–	3,431	3,631	3,631	3,631	3,727	3,917	4,116
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		7,527	9,120		15,455	15,455	15,455	15,455	18,520	22,137	26,918
less Revenue Foregone											
Net Service charges - electricity revenue		7,527	9,120	–	15,455	15,455	15,455	15,455	18,520	22,137	26,918
Service charges - water revenue	6										
Total Service charges - water revenue		4,562	5,426		7,686	7,318	7,318	7,318	7,717	8,111	8,525
less Revenue Foregone											
Net Service charges - water revenue		4,562	5,426	–	7,686	7,318	7,318	7,318	7,717	8,111	8,525
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		3,736	4,295		4,831	4,761	4,761	4,761	5,077	5,336	5,608
less Revenue Foregone											
Net Service charges - sanitation revenue		3,736	4,295	–	4,831	4,761	4,761	4,761	5,077	5,336	5,608
Service charges - refuse revenue	6										
Total refuse removal revenue		2,897	3,216		3,905	3,910	3,910	3,910	4,133	4,343	4,565
Total landfill revenue		4			4	4	4	4	4	5	5
less Revenue Foregone											
Net Service charges - refuse revenue		2,901	3,216	–	3,909	3,914	3,914	3,914	4,137	4,348	4,570
Other Revenue by source											
Fuel levy	3										
Other revenue											
Total 'Other' Revenue	1	–	–	–	–	–	–	–	–	–	–
EXPENDITURE ITEMS:											
Employee related costs											
Salaries and Wages	2	14,508	12,678		19,483	18,006	18,006	18,006	20,380	21,095	22,524
Contributions to UIF, pensions, medical aid			2,146		3,332	3,433	3,433	3,433	3,660	3,916	4,179
Travel, motor car, accom; & other allowances			1,672		536	730	730	730	527	554	601
Housing benefits and allowances			80		19	30	30	30	21	22	24
Overtime			829		584	619	619	619	623	670	714
Performance bonus			935		1,596	1,595	1,595	1,595	1,704	1,795	1,916
Long service awards											
Payments in lieu of leave											
Post-retirement benefit obligations	4										
sub-total	5	14,508	18,340	–	25,551	24,413	24,413	24,413	26,915	28,053	29,958
Less: Employees costs capitalised to PPE											
Total Employee related costs	1	14,508	18,340	–	25,551	24,413	24,413	24,413	26,915	28,053	29,958
Contributions recognised - capital											
List contributions by contract											
Total Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment											
Lease amortisation											
Capital asset impairment											
Total Depreciation & asset impairment	1	–	–	–	–	–	–	–	–	–	–
Bulk purchases											
Electricity Bulk Purchases		5,235	7,024		10,352	10,352	10,352	10,352	13,117	16,514	20,791
Water Bulk Purchases		165	294		267	267	267	267	281	303	328
Total bulk purchases	1	5,400	7,318	–	10,619	10,619	10,619	10,619	13,398	16,818	21,119
Contracted services											
List services provided by contract		371	337								

Table 51 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Description	Vote1 - Governance and Administration	Vote2 - Corporate Services	Vote3 - Assessment Rates and Other	Vote4 - Finance Services	Vote5 - Safety and Security	Vote6 - Planning and Economic Development	Vote7 - Health and Social Development	Vote8 - Sport, Recreation and Community	Vote9 - Housing	Vote10 - Environmental Management and Agriculture	Vote11 - Transport and Roads	Vote12 - Electricity	Vote13 - Waste Water	Vote14 - Water	Total
R thousand															
Revenue By Source															
Property rates	-	-	3,021,875	-	-	-	-	-	-	-	-	-	-	-	3,021,875
Property rates - penalties & collection charges	-	-	66,481	-	-	-	-	-	-	-	-	-	-	-	66,481
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	6,010,000	-	-	6,010,000
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	1,618,400	1,618,400
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-	-	392,543	-	392,543
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	447,780	-	-	-	-	447,780
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	12,106	4,500	7,500	24,106
Rental of facilities and equipment	-	41,200	-	-	153	168	-	12,338	-	2,990	48,655	-	-	-	105,503
Interest earned - external investments	-	-	118,819	65	-	-	1,162	-	-	-	35	-	-	-	120,080
Interest earned - outstanding debtors	-	-	132,160	118,988	-	-	-	-	-	-	-	45,000	20,000	35,000	351,148
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	63,428	750	3	-	-	1,504	-	-	-	-	65,686
Licences and permits	-	250	-	-	31,754	2,200	579	-	-	-	-	-	-	-	34,783
Agency services	-	-	-	-	34,208	-	-	-	-	-	-	-	-	-	34,208
Other revenue	-	19,479	-	29,907	15,356	109,657	139,414	-	-	108,741	813,149	170,126	245,789	187,987	1,839,606
Transfers recognised - operational	25,500	-	-	-	-	35,412	15,400	-	58,970	62,200	661,182	-	143,254	-	1,001,918
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-	4,500	-	-	-	4,500
Total Revenue (excluding capital transfers and contributions)	25,500	60,929	3,339,335	148,960	144,900	148,187	156,559	12,338	58,970	623,215	1,527,521	6,237,232	806,086	1,848,887	15,138,618
Expenditure By Type															
Employee related costs	51,607	330,833	180,332	304,460	697,413	220,870	211,563	88,745	269,780	384,154	346,658	423,361	230,189	308,520	4,048,487
Remuneration of councillors	56,589	758	758	758	758	758	758	758	758	758	758	758	758	758	66,438
Debt impairment	-	-	1,000	206,588	-	-	13,356	191	1,000	-	1,000	109,252	15,478	84,522	432,387
Depreciation & asset impairment	4,942	84,340	9,496	96,112	50,863	28,586	60,956	97,900	12,659	31,013	174,180	127,031	45,623	88,630	912,332
Finance charges	2,151	18,481	167,206	164	10,604	1,492	34,335	12,034	4,631	20,765	89,520	219,599	32,852	101,785	715,617
Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	3,638,410	-	437,922	4,076,332
Other materials	-	20,000	-	2,424	4,744	9,323	-	20,011	684	214,696	189,745	449,780	26,451	59,385	997,243
Contracted services	-	49,644	-	92,203	49,789	19,784	12,611	1,604	32,473	378,452	296,098	58,331	4,312	15,688	1,010,989
Transfers and grants	-	-	-	-	-	-	-	-	-	34,570	-	78,580	12,583	300,168	425,901
Other expenditure	220,919	496,145	145,487	98,745	44,712	32,459	24,563	26,510	23,341	290,855	156,821	300,935	36,163	96,542	1,994,198
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	336,208	1,000,200	504,279	801,453	858,883	313,270	358,142	247,753	345,326	1,355,263	1,254,780	5,406,037	404,409	1,493,920	14,679,924
Surplus/(Deficit)	(310,708)	(939,272)	2,835,056	(652,494)	(713,983)	(165,083)	(201,584)	(235,415)	(286,356)	(732,048)	272,740	831,195	401,677	354,968	458,694
Transfers recognised - capital	-	50	69,021	-	15	-	8,082	-	-	20,506	430,340	88,224	289,137	135,676	1,041,051
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	56,261	-	-	-	56,261
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(310,708)	(939,222)	2,904,077	(652,494)	(713,968)	(165,083)	(193,502)	(235,415)	(286,356)	(711,542)	759,341	919,419	690,814	490,644	1,556,006

Table 52 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
ASSETS									
Call investment deposits									
Call deposits < 90 days									
Other current investments > 90 days	691	600	632	500	500	500	500	750	1,000
Total Call investment deposits	691	600	632	500	500	500	500	750	1,000
Consumer debtors									
Consumer debtors	44,996	53,029	57,552	30,000	30,000	30,000	34,000	38,000	40,000
Less: Provision for debt impairment	(11,274)	(12,368)	(42,730)	(2,000)	(2,000)	(2,000)	(5,000)	(8,000)	(8,000)
Total Consumer debtors	33,722	40,662	14,821	28,000	28,000	28,000	29,000	30,000	32,000
Debt impairment provision									
Balance at the beginning of the year			12,452	10,000	10,000	10,000	15,000	23,000	31,000
Contributions to the provision			30,278						
Bad debts written off									
Balance at end of year	-	-	42,730	10,000	10,000	10,000	15,000	23,000	31,000
Property, plant and equipment (PPE)									
PPE at cost/valuation (excl. finance leases)			82,978	85,000	85,000	85,000	185,000	219,000	250,000
Leases recognised as PPE									
Less: Accumulated depreciation									
Total Property, plant and equipment (PPE)	-	-	82,978	85,000	85,000	85,000	185,000	219,000	250,000
LIABILITIES									
Current liabilities - Borrowing									
Short term loans (other than bank overdraft)									
Current portion of long-term liabilities			1,058	1,000	1,000	1,000	1,400	1,400	1,400
Total Current liabilities - Borrowing	-	-	1,058	1,000	1,000	1,000	1,400	1,400	1,400
Trade and other payables									
Trade and other creditors	7,892	11,942	8,006	1,000	1,000	1,000	750	600	500
Unspent conditional transfers	13,482	9,264	3,971	1,000	1,000	1,000	2,000	2,000	1,000
VAT			10,533	12,000	12,000	12,000			
Total Trade and other payables	21,374	21,207	22,511	14,000	14,000	14,000	2,750	2,600	1,500
Non current liabilities - Borrowing									
Borrowing	3,359	2,323	1,251	540	540	540	5,621	4,200	3,000
Finance leases (including PPP asset element)									
Total Non current liabilities - Borrowing	3,359	2,323	1,251	540	540	540	5,621	4,200	3,000
Provisions - non-current									
Retirement benefits			5,912	6,000	6,000	6,000	6,000	6,200	6,400
List other major provision items									
Refuse landfill site rehabilitation									
Other	761	1,105	7,172	1,300	1,300	1,300	1,350	1,400	1,500
Total Provisions - non-current	761	1,105	13,084	7,300	7,300	7,300	7,350	7,600	7,900
CHANGES IN NET ASSETS									
Accumulated Surplus/(Deficit)									
Accumulated Surplus/(Deficit) - opening balance			90,318						
GRAP adjustments			(27,639)						
Restated balance	-	-	62,679	-	-	-	-	-	-
Surplus/(Deficit)	3,202	1,345	(35,029)	19,892	22,930	22,930	110,090	47,590	34,617
Appropriations to Reserves									
Transfers from Reserves									
Depreciation offsets									
Other adjustments									
Accumulated Surplus/(Deficit)	3,202	1,345	27,650	19,892	22,930	22,930	110,090	47,590	34,617
Reserves									
Housing Development Fund	364	237		100	100	100	50	50	50
Capital replacement	7,181	7,370		400	400	400	500	550	600
Capitalisation									
Government grant									
Donations and public contributions									
Self-insurance									
Other reserves (list)	44	44					44	44	44
Revaluation									
Total Reserves	7,589	7,651	-	500	500	500	594	644	694
TOTAL COMMUNITY WEALTH/EQUITY	10,792	8,996	27,650	20,392	23,430	23,430	110,684	48,234	35,311

2.15 Municipal manager's quality certificate

I, AMOS CHINA MPELA, municipal manager of UMSOBOMVU MUNICIPALITY, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name AMOS CHINA MPELA

Municipal manager of UMSOBOMVU MUNICIPALITY

A handwritten signature in black ink, appearing to be 'A. Mpele', written on a light blue background.

Signature:

Date: 2011-04-08